



SINOTOP HOLDINGS BERHAD

(114842-H)

(Incorporated In Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2017

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INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

| | 3 MONTHS | | CUMULATIVE 12 MONTHS | |
|--|--|--|--|---|
| | CURRENT YEAR QUARTER ENDED 31/3/2017 RM'000 (Unaudited) | PRECEDING YEAR CORRESPONDING QUARTER ENDED 31/3/2016 RM'000 (Audited) | CURRENT YEAR TO DATE ENDED 31/3/2017 RM'000 (Unaudited) | PRECEDING YEAR CORRESPONDING PERIOD ENDED 31/3/2016 RM'000 (Audited) |
| Revenue | 29,798 | 31,966 | 29,798 | 31,966 |
| Operating expenses | (29,900) | (32,347) | (29,900) | (32,347) |
| Other operating income | 690 | 1,150 | 690 | 1,150 |
| Profit from operations | 588 | 769 | 588 | 769 |
| Finance costs | (20) | (16) | (20) | (16) |
| | 568 | 753 | 568 | 753 |
| Share of loss in a joint venture | (146) | (139) | (146) | (139) |
| Profit before taxation | 422 | 614 | 422 | 614 |
| Taxation | (4) | - | (4) | - |
| Profit after taxation for the financial period | 418 | 614 | 418 | 614 |
| Other comprehensive income <i>Items that May be Reclassified Subsequently to Profit or Loss</i> | | | | |
| Foreign currency translation differences | (1,342) | (19,336) | (1,342) | (19,336) |
| Total comprehensive income for the period | (924) | (18,722) | (924) | (18,722) |
| Profit attributable to: | | | | |
| Equity holders of the parent | 418 | 614 | 418 | 614 |
| Minority interest | - | - | - | - |
| | 418 | 614 | 418 | 614 |
| Total comprehensive income/(expense) attributable to: | | | | |
| Equity holders of the parent | (924) | (18,722) | (924) | (18,722) |
| Minority interest | - | - | - | - |
| | (924) | (18,722) | (924) | (18,722) |
| Earnings per share (sen) : | | | | |
| - Basic | 0.02 | 0.03 | 0.02 | 0.03 |
| - Diluted | N/A | N/A | N/A | N/A |

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

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | AS AT 31/3/2017 RM'000 UNAUDITED | AS AT 31/12/2016 RM'000 AUDITED |
|--|---|--|
| ASSETS | | |
| Non-current assets | | |
| Investment in a joint venture | 4,484 | 4,655 |
| Property, Plant and Equipment | 41,446 | 43,172 |
| Investment Property | 5,776 | 5,810 |
| Land use rights | 6,978 | 7,018 |
| Other Investments | 14,799 | 14,884 |
| | 73,483 | 75,539 |
| Current Assets | | |
| Land use rights | 133 | 179 |
| Inventories | 19,013 | 16,817 |
| Trade and other receivables | 55,850 | 71,201 |
| Cash and cash equivalents | 82,798 | 70,724 |
| | 157,794 | 158,921 |
| Total assets | 231,277 | 234,460 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 118,470 | 394,899 |
| Statutory reserve | 15,744 | 15,644 |
| Foreign currency translation reserve | 52,777 | 54,119 |
| Retained profits | 5,745 | (241,188) |
| Total equity | 192,736 | 223,474 |
| Current Liabilities | | |
| Trade and other payables | 37,850 | 10,153 |
| Income tax payable | 691 | 833 |
| Total current liabilities | 38,541 | 10,986 |
| Total liabilities | 38,541 | 10,986 |
| Total equity and liabilities | 231,277 | 234,460 |
| Net assets ("NA") per share (RM) | 0.49 | 0.11 |
| Number of shares outstanding as at 31.3.2017 / 31.12.2016 ('000) | 394,899 * | 1,974,497 # |
| Weighted average number of shares as at 31 March 2017 ('000) | 1,956,945 | 1,974,497 |

* Number of shares ('000) in Sinotop Holdings Berhad as at 31 March 2017, after the consolidation of every 5 shares into 1 share, duly completed on 30 March 2017

Number of shares ('000) in Sinotop Holdings Berhad as at 31 December 2016.

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

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | <----- Non distributable -----> | | | | Distributable Unappropriated Profits RM '000 | Total Equity RM '000 |
|---|---------------------------------|--|---------------------------------|--|---|----------------------------|
| | Share Capital RM '000 | Reverse Acquisition Reserve RM '000 | Statutory Reserve RM '000 | Foreign Currency Translation Reserve RM '000 | | |
| Balance at 1 January 2016 (audited) | 394,899 | - | 15,644 | 54,119 | (241,188) | 223,474 |
| Capital reduction | (276,429) | - | - | - | 246,615 | (29,814) |
| Total comprehensive income for the financial year | - | - | - | (1,342) | 418 | (924) |
| Transfer to statutory reserve | - | - | 100 | - | (100) | - |
| Balance at 31/3/2017 (Unaudited) | 118,470 | - | 15,744 | 52,777 | 5,745 | 192,736 |

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

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | AS AT CURRENT FINANCIAL PERIOD ENDED 31/3/2017 | AS AT PRECEDING FINANCIAL YEAR ENDED 31/12/2016 |
|--|--|---|
| | RM'000 UNAUDITED | RM'000 AUDITED |
| OPERATING ACTIVITIES | | |
| Profit before taxation | 422 | 4,264 |
| Adjustments for :- | | |
| Depreciation | 1,447 | 6,154 |
| Amortisation of land use right | 45 | 173 |
| Allowance for impairment losses in trade receivables | - | 909 |
| Unrealised loss/(gain) on foreign exchange | 266 | (105) |
| Write-back of allowance for impairment losses on trade receivables | - | (1,897) |
| Share of results of a joint venture | 146 | 1,113 |
| Non-operating items | - | - |
| - interest income | (514) | (1,745) |
| Changes in working capital | - | - |
| - Inventories | (2,196) | 1,810 |
| - Trade receivables and other receivables | 15,351 | 9,760 |
| - Trade and other payables | 27,697 | (277) |
| Cash from operations | <u>42,664</u> | <u>20,159</u> |
| Income tax paid | (146) | (2,188) |
| Income tax refund | - | 30 |
| Net cash generated from operating activities | <u>42,518</u> | <u>18,001</u> |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | - | (500) |
| Purchase of investment in a joint venture | - | (1,555) |
| Interest received | 514 | 1,745 |
| Purchase of an investment property | - | (1,400) |
| Net cash used in investing activities | <u>514</u> | <u>(1,710)</u> |
| Increase in cash and cash equivalents | 43,032 | 16,291 |
| Foreign exchange translation differences | (30,958) | (682) |
| Cash and cash equivalents at beginning of the year | 70,724 | 55,115 |
| Cash and cash equivalents at end of the period | <u>82,798</u> | <u>70,724</u> |

Note :

() Denotes cash outflow

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



SINOTOP HOLDINGS BERHAD (114842-H)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. These explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

A2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Amendments to MFRS 107 : Disclosure Initiative

Amendments to MFRS 112 : Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above accounting standards and/or interpretations (including the consequential amendments) did not have any material impact on the Group's financial statements.

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

| MFRSs and IC Interpretations (Including The Consequential Amendments) | Effective Date |
|--|-------------------------------|
| MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014) | 1 January 2018 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| Amendments to MFRS 2 : Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 15 : Effective Date of MFRS 15 | 1 January 2018 |
| Amendments to MFRS 15 : Clarifications to MFRS 15 'Revenue from Contracts with Customers' | 1 January 2018 |
| Amendments to MFRS 140 : Transfers of Investment Property | 1 January 2018 |
| Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred until further notice |
| Annual Improvements to MFRS Standards 2014 – 2016 Cycles : | |
| • Amendments to MFRS 12 : Clarification of the Scope of Standard | 1 January 2017 |
| 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 | 1 January 2018 |

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group's investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

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

A3. AUDITORS' REPORT

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

A4. SEASONAL OR CYCLICAL FACTORS

i) FABRIC PRODUCTION SEGMENT

The Group's sales of fabric products are subject to seasonality effect by virtue of fabrics being a primary input material of fashion and some household products. The majority of the Group's customers are downstream players, i.e. export-oriented garment manufacturers. As such, sales of the Group's fabric products are affected by factors such as change in fashion trends, consumer taste and surge in demand ahead of festive seasons. Economic outlook inevitably will also have a significant impact on the demand of fabric finished products, and hence on the demand of fabrics. Generally, barring any unforeseen circumstances, the Group experiences slower sales typically in mid and end of a year (i.e., towards end of December and in the months of May and June).

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

A4. SEASONAL OR CYCLICAL FACTORS (CONT'D)

ii) PROJECT MANAGEMENT SERVICES SEGMENT

The Group's provision of project management services business is correlated to the level of business activities in construction industry. However, it is not directly subject to cyclical factors that have impact on the construction industry or any seasonal factor.

A5. EXCEPTIONAL ITEMS

Not applicable.

A6. CHANGES IN ESTIMATES

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

A7. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

A8. DIVIDEND

There were no dividends paid for the financial period ended 31 March 2017.

A9. SEGMENTAL INFORMATION

The Company obtained approval from its shareholders on 15 December 2016 to diversify into project management and infrastructure construction and related businesses. During the immediate preceding financial year ended 31 December 2016, the Group commenced its project management services business through a wholly-owned subsidiary, Gorgeous Goldhill Sdn Bhd.

Therefore, segmental information for the Group is now presented from the perspectives of the Group's major operating business segments in addition to geographical areas of its business operations presented previously.

i) BY BUSINESS SEGMENTS

| | Individual Quarter | | Cumulative Months | |
|--------------------------------|---|---|---|--|
| | Current Quarter Ended 31/3/2017 RM'000 | Preceding Year Corresponding Quarter Ended 31/3/2016 RM'000 | Current Year To Date Ended 31/3/2017 RM'000 | Preceding Year Corresponding Period Ended 31/3/2016 RM'000 |
| Revenue | | | | |
| Fabric production | 29,601 | 31,966 | 29,601 | 31,966 |
| Project Management services | 197 | - | 197 | - |
| Total | 29,798 | 31,966 | 29,798 | 31,966 |

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

A9. SEGMENTAL INFORMATION (CONT'D)

ii) BY GEOGRAPHICAL SEGMENT

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

| | Individual Quarter | | Cumulative Months | |
|----------------|---|---|---|--|
| | Current Quarter Ended 31/3/2017 RM'000 | Preceding Year Corresponding Quarter Ended 31/3/2016 RM'000 | Current Year To Date Ended 31/3/2017 RM'000 | Preceding Year Corresponding Period Ended 31/3/2016 RM'000 |
| Revenue | | | | |
| Domestic Sales | 27,067 | 27,689 | 27,067 | 27,689 |
| Overseas Sales | 2,731 | 4,277 | 2,731 | 4,277 |
| Total | 29,798 | 31,966 | 29,798 | 31,966 |

The Group's revenue, based on customers' locations, was derived mainly from the PRC and other overseas countries for the fabric production business whilst revenue from the project management businesses was solely derived from a domestic client in Malaysia.

As substantial amount of the Group's assets and liabilities are located in PRC, accordingly, no separate geographical segment for assets and liabilities has been presented for the current reporting financial period.

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Not applicable

A11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 18 April 2017, the indirect wholly-owned subsidiary of the Company, i.e. Top Textile (Suzhou) Co., Ltd has disposed of the unquoted investment for a total cash consideration of RMB23.1 million (equivalent to RM14.77 million).

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period under review, except as follows:

The Company had on 3 March 2017 subscribed for an additional 740,000 shares ("Subscription") in its wholly-owned subsidiary, Gorgeous Goldhill Sdn Bhd ("GGSB"), for a total cash consideration of RM740,000. Following the Subscription, the issued share capital of GGSB has been increased from RM10,000.00 to RM750,000.00.

A13. CHANGES IN CONTINGENT LIABILITIES / ASSETS

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

A14. CAPITAL COMMITMENTS

There was no capital commitment as at the financial period ended 31 March 2017.

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

A15. FOREIGN CURRENCY TRANSLATION

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

| | As at Quarter Ended 31/3/2017 | As at Financial Year Ended 31/12/2016 |
|---|--|--|
| Condensed consolidated statement of comprehensive income | | |
| Based on average rates for the financial period/year RMB1.00 to RM | 0.6442 | 0.6223 |
| Condensed consolidated statement of financial position | | |
| Based on closing rates for the financial period/year RMB1.00 to RM | 0.6418 | 0.6455 |

A16. SIGNIFICANT RELATED PARTY TRANSACTION

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

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

(b) Related Party Transactions

The Group carried out the following significant transactions with the related parties during the current reporting period:-

| | For the Quarter Ended | |
|---|------------------------------|------------------|
| | 31/3/2017 | 31/3/2016 |
| | RM'000 | RM'000 |
| Services rendered to a related party – Asianmax Corporation Sdn. Bhd. ("ACSB")* | 197 | - |

* *Dato' Soo Sze Ching, the Executive Director of the Company, is a director and substantial shareholder of ACSB.*

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

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

REVENUE

Total sales revenue decreased by RM2.17 million compared to the corresponding quarter in the preceding financial year. The effect of sluggish economy has taken its toll on the Group's sales revenue in a greater impact, particularly in the domestic sales segment. Fluctuations observed in either of the market segments (domestic & export) do not indicate any significant change in the sales and marketing direction of the Group. Instead, analysis of the Group's sales revenue in totality would be more appropriate in assessing its financial performance.

PROFIT AFTER TAXATION

The Group recorded a profit after taxation ("PAT") of RM418,000 for the current quarter compared to RM614,000 registered in the corresponding quarter for the preceding financial year, generated from its core business of manufacturing and sale of fabrics and its share of results of Suzhou Han Ling Packaging Co. Ltd ("Suzhou Han Ling"), the Group's joint venture company. The Group recognised its share of results in Suzhou Han Ling. After taking into account of the Group's share of loss in Suzhou Han Ling amounting to RM146,000, the Group reported a PAT of RM418,000 in current year quarter ended 31 March 2017.

Prices of major raw materials (yarns made from different types of fibre) have been on the rise due to escalated costs being passed down from suppliers.

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

The Group registered profit before taxation ("PBT") of RM422,000 in the current quarter compared to RM2.41 million recorded in the immediate preceding quarter, generated from fabric production and project management services business operations as well as its share of results of a joint venture, Suzhou Han Ling. The decrease in PBT recorded in the current quarter is RM1.99 million.

The reason for a set of more favorable results recorded in the immediate preceding quarter is that the fourth quarter is traditionally the best performing quarter with sales tend to peak ahead of festivals at year end and at the beginning of new year.

B3. PROSPECTS

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

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

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

The Company had on 15 December 2016 obtained its shareholders' approval for diversification of the core business of the Group to include project management and infrastructure construction related businesses ("Diversification").

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

B3. PROSPECTS (CONT'D)

The Diversification is expected to bring an additional revenue source and enhance profits of the Group, instead of depending solely on the existing fabric production business which is facing limited profitability growth as indicated by less-than-favourable earnings recorded in recent years.

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

The Group has not provided any profit forecast or profit guarantee during the quarter ended 31 March 2017.

B5. TAXATION

| | Individual Quarter | | Cumulative Quarters | |
|----------------------------|--------------------|----------------|---------------------|-----------|
| | Current Quarter | Preceding Year | Current Year | Preceding |
| | Ended | Corresponding | To Date | Financial |
| | 31/3/2017 | Quarter | Ended | Year |
| | RM'000 | Ended | 31/3/2017 | Ended |
| | | 31/3/2016 | RM'000 | 31/3/2016 |
| | | RM'000 | | RM'000 |
| Tax on profit for the year | 4 | - | 4 | - |

The tax on profit for the current year is in respect of the Group's wholly-owned subsidiary, Gorgeous Goldhill Sdn Bhd, which is based in Malaysia and principally engaged the provision of project management services.

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

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

B6. CORPORATE PROPOSALS

On 21 October 2016, the Board of Directors of the Company ("**Board**"), via Astramina Advisory Sdn Bhd and RHB Investment Bank Berhad, the joint advisers of the Company, had announced that the Company proposes to undertake the following:-

- (i) Proposed capital reduction of the existing ordinary shares of Sinotop Holdings Berhad ("**Sinotop**") pursuant to section 64 of the Companies Act, 1965 involving the cancellation of RM0.14 of the par value of each existing ordinary share of RM0.20 each in Sinotop ("**Capital Reduction and Repayment**");
- (ii) Proposed share consolidation of every five (5) ordinary shares of RM0.06 each in Sinotop (after the completion of the Proposed Capital Reduction and Repayment) into one (1) new ordinary share of RM0.30 each in Sinotop ("**Share Consolidation**"); and
- (iii) Proposed diversification of the existing core business of Sinotop and its subsidiaries to include project management and infrastructure construction related businesses ("**Diversification**").

(The Capital Reduction and Repayment, Share Consolidation and Diversification are collectively referred to as the "**Proposals**").

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

B6. CORPORATE PROPOSALS (CONT'D)

On 16 November 2016, Bursa Malaysia Securities Berhad had, vide its letter dated 15 November 2016 (“Bursa Letter”), resolved to approve the Share Consolidation, subject to the conditions as set out in the Bursa Letter.

On 15 December 2016, the Company obtained approval from its shareholders via an Extraordinary General Meeting held in relation to the Proposals.

On 14 February 2017, the Company was granted an order from The High Court of Malaya at Kuala Lumpur for the Capital Reduction and Repayment (“Order”). Subsequently on 30 March 2017, upon lodging of the sealed Order with the Registrar of Companies, the Capital Reduction and Share Consolidation took effect and duly completed on the same day.

Based on the share capital of the Company as at 5.00 p.m. on 30 March 2017, 1,974,496,518 ordinary shares in Sinotop were consolidated into 394,899,274 consolidated shares (“Consolidated Shares”) as a result of the Share Consolidation. The Consolidated Shares were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 31 March 2017.

The Capital Repayment was completed on 13 April 2017 via cash payment made by the Company to the entitled shareholders.

B7. BORROWINGS

There was no outstanding borrowing as at 31 March 2017.

B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B9. CHANGES IN MATERIAL LITIGATION

The Group does not have any material litigation.

B10. PROPOSED DIVIDEND

The Board does not recommend the payment of any dividend for the financial period ended 31 March 2017.

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

B11. NON-COMPLIANCE TO THE PUBLIC SHAREHOLDING SPREAD

On 27 February 2017, the Company announced that it is not in compliance with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities. Based on the Record of Depositors as at 31 December 2016, the public shareholding spread of the Company is 20.61%, represents a shortfall of 4.39% from the minimum required percentage of 25% of the total listed shares (excluding treasury shares) to be in the hands of public shareholders.

The Company had on 2 March 2017 submitted an application to Bursa Malaysia Securities Berhad (“Bursa Securities”) for an extension of time to comply with the public shareholding spread requirements and Bursa Securities had via its letter dated 16 March 2017 approved an extension of time of six (6) months until 30 June 2017 for the Company to comply with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities. Based on the Record of Depositors as at 6 March 2017, the percentage of public shareholding spread is 20.83%.

The Company will do its best to work on the rectification plan to address the shortfall in the required public shareholding spread within the extension of time granted by Bursa Securities.

B12. EARNINGS PER SHARE

| | Current year quarter ended 31/3/2017 RM '000 | Preceding financial year ended 31/12/2016 RM '000 |
|--|--|---|
| a) Basic earnings per share | | |
| Net profit attributable to equity holders of the Company | 419 | 2,031 |
| Weighted average number of ordinary shares ('000) | 1,956,945 | 1,974,496 |
| Basic earnings per share (sen) | <u>0.02</u> | <u>0.10</u> |

The weighted average number of ordinary shares used in the computation of the basic EPS in the current report quarter has taken into account the effect of the 394,899,274 Consolidated Shares (please refer to Note B6) that were listed on 31 March 2017.

b) Diluted earnings per share

The diluted earnings per share is equal to the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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

B13. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 March 2017, into realised and unrealised profits is as follows:-

| | As at Quarter Ended 31/12/2016 RM '000 Unaudited | As at Financial Year Ended 31/12/2016 RM '000 Audited |
|---|---|---|
| - Realised | (142,128) | (142,817) |
| - Unrealised | (266) | 105 |
| Less: Consolidation adjustments Capital reduction | (98,476) 246,615 | (98,476) - |
| Total retained earnings as per condensed consolidated statement of changes in equity | 5,745 | (248,188) |

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

B14. PROFIT BEFORE TAXATION

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

| | Current Year Quarter Ended 31/3/2017 RM'000 Unaudited | Cumulative Quarters Ended 31/12/2016 RM'000 Audited |
|--|---|---|
| Amortisation of land use rights | 45 | 173 |
| Depreciation of property, plant and equipment | 1,447 | 6,154 |
| Interest income | (514) | (1,745) |
| Writeback of allowance for impairment losses on trade receivables | - | (1,897) |
| Allowance for impairment losses on trade receivables | - | 909 |
| Unrealised loss/(gain) on foreign exchange | 266 | (105) |