



# **SINOTOP HOLDINGS BERHAD**

**(114842-H)**

*(Incorporated In Malaysia)*

## **QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

### **CONTENTS**

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

## INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

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

	3 MONTHS		CUMULATIVE 3 MONTHS	
	CURRENT PERIOD QUARTER ENDED 30/9/2018 RM'000 Unaudited	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER RM'000	CURRENT FINANCIAL PERIOD TO-DATE ENDED 30/9/2018 RM'000 Unaudited	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER RM'000
Revenue	29,305	-	29,305	-
Cost of sales	(25,907)	-	(25,907)	-
<b>Gross profit</b>	<b>3,398</b>	<b>-</b>	<b>3,398</b>	<b>-</b>
Other operating income	277	-	277	-
Distribution and marketing expenses	(498)	-	(498)	-
Administrative expenses	(1,717)	-	(1,717)	-
Other operating expenses	-	-	-	-
<b>Profit from operations</b>	<b>1,460</b>	<b>-</b>	<b>1,460</b>	<b>-</b>
Share of profit in a joint venture	449	-	449	-
<b>Profit before taxation</b>	<b>1,909</b>	<b>-</b>	<b>1,909</b>	<b>-</b>
Taxation	(401)	-	(401)	-
<b>Profit after taxation for the financial period</b>	<b>1,508</b>	<b>-</b>	<b>1,508</b>	<b>-</b>
Other comprehensive income <i>Items that May be Reclassified Subsequently to Profit or Loss</i>				
Foreign currency translation differences	(2,289)	-	(2,289)	-
<b>Total comprehensive expense for the period</b>	<b>(781)</b>	<b>-</b>	<b>(781)</b>	<b>-</b>
Profit attributable to:				
Equity holders of the parent	1,508	-	1,508	-
Minority interest	-	-	-	-
	<b>1,508</b>	<b>-</b>	<b>1,508</b>	<b>-</b>
Total comprehensive expense attributable to:				
Equity holders of the parent	(781)	-	(781)	-
Minority interest	-	-	-	-
	<b>(781)</b>	<b>-</b>	<b>(781)</b>	<b>-</b>
Earnings per share (sen) :				
- Basic	0.38	-	0.38	-
- Diluted	N/A	N/A	N/A	N/A

## Note 1)

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

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

## INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/9/2018 RM'000 UNAUDITED	AS AT 30/6/2018 RM'000 AUDITED
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in a joint venture	6,387	6,020
Property, plant and equipment	47,569	42,332
Investment property	4,011	4,068
Land use rights	6,289	6,378
	<b>64,256</b>	<b>58,798</b>
<b>Current Assets</b>		
Land use rights	125	170
Inventories	14,380	13,309
Trade and other receivables	45,968	59,712
Fixed deposits with licensed banks	46,773	37,863
Cash and bank balances	19,496	24,163
	<b>126,742</b>	<b>135,217</b>
<b>Total assets</b>	<b>190,998</b>	<b>194,015</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	118,470	118,470
Statutory reserve	15,848	15,697
Foreign currency translation reserve	40,299	42,588
Retained profits	6,853	5,496
<b>Total equity</b>	<b>181,470</b>	<b>182,251</b>
<b>Current Liabilities</b>		
Trade and other payables	9,367	11,309
Income tax payable	161	455
<b>Total current liabilities</b>	<b>9,528</b>	<b>11,764</b>
<b>Total liabilities</b>	<b>9,528</b>	<b>11,764</b>
<b>Total equity and liabilities</b>	<b>190,998</b>	<b>194,015</b>
<b>Net assets ("NA") per share (RM)</b>	<b>0.46</b>	<b>0.46</b>

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

## INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Non distributable				Distributable		Total Equity RM '000
	Share Capital RM '000	Reverse Acquisition Reserve RM '000	Statutory Reserve RM '000	Foreign Currency Translation Reserve RM '000	Unappropriated Profits RM '000		
Balance at 1 July 2018 (audited)	118,470	-	15,697	42,588	5,496	182,251	
Total comprehensive income for the financial year	-	-	-	(2,289)	1,508	(781)	
Transfer to statutory reserve	-	-	151	-	(151)	-	
Balance at 30 September 2018 (unaudited)	118,470	-	15,848	40,299	6,853	181,470	

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	AS AT CURRENT QUARTER ENDED 30/9/2018	AS AT PRECEDING 18-MONTH FINANCIAL PERIOD ENDED 30/6/2018
	RM'000 UNAUDITED	RM'000 AUDITED
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	1,909	2,590
Adjustments for :-		
Allowance for impairment losses on trade receivables	370	2,330
Amortisation of land use right	42	262
Depreciation	840	7,101
Inventory written off	-	43
Loss on disposal of plant and machinery	-	2,676
Share of results of a joint venture	(449)	593
Unrealised gain on foreign exchange	-	4
Write-back of allowance for impairment losses on trade receivables	-	(1,493)
Non-operating items		
- interest income	(134)	(2,642)
Changes in working capital		
- Inventories	(1,071)	2,621
- Trade receivables and other receivables	13,744	7,120
- Trade and other payables	(1,942)	1,454
<b>Cash from operations</b>	<b>13,309</b>	<b>22,659</b>
Income tax paid	(695)	(2,814)
Income tax refund	-	-
<b>Net cash generated from operating activities</b>	<b>12,614</b>	<b>19,845</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,671)	(11,873)
Additional investment in a joint venture	-	(2,264)
Placement of fixed deposits with tenure more than three months	(9,438)	(25,663)
Proceeds from disposal of plant and machinery	-	515
Proceeds from disposal of unquoted investment	-	14,503
Refund from an investment property/purchase of an investment property	-	1,466
Interest received	134	2,642
<b>Net cash generated from investing activities</b>	<b>(15,975)</b>	<b>(20,674)</b>
<b>FINANCING ACTIVITY</b>		
Capital repayment to shareholders	-	(29,814)
<b>Net cash for financing activity</b>	<b>-</b>	<b>(29,814)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(3,361)</b>	<b>(30,643)</b>
Foreign exchange translation differences	(13,506)	(3,718)
Cash and cash equivalents at beginning of the year	36,363	70,724
<b>Cash and cash equivalents at end of the period</b>	<b>19,496</b>	<b>36,363</b>

**Note :**

( ) Denotes cash outflow

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



**SINOTOP HOLDINGS BERHAD (114842-H)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A1. BASIS OF PREPARATION**

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the 18-month financial period ended 30 June 2018. These explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 30 June 2018.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

MFRS 14 Regulatory Deferral Accounts

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

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

Amendments to MFRS 101: Disclosure Initiative

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

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

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 – 2014 Cycle

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

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

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

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

#### A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

**A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

**A3. AUDITORS' REPORT**

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

**A4. SEASONAL OR CYCLICAL FACTORS**

**i) FABRIC PRODUCTION SEGMENT**

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

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

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

**ii) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT**

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



**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

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

**A5. UNUSUAL ITEMS**

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

**A6. CHANGES IN ESTIMATES**

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

**A7. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

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

**A8. DIVIDEND**

There were no dividends paid for the quarter ended 30 September 2018.

**A9. SEGMENTAL INFORMATION**

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

**(i) BY BUSINESS SEGMENTS**

	Individual Quarter		Cumulative Quarters ( 3 Months)	
	Current Period	Preceding	Current	Preceding
	Quarter	Financial Year	Financial	Financial Year
	Ended	Corresponding	Period	Corresponding
	30/9/2018	Quarter #	To-Date	Quarter #
	RM'000		Ended	
		RM'000	30/9/2018	RM'000
			RM'000	RM'000
<b>Revenue</b>				
Fabric production	29,305	-	29,305	-
Project management services and infrastructure construction	-	-	-	-
<b>Total</b>	<b>29,305</b>	<b>-</b>	<b>29,305</b>	<b>-</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

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

A9. SEGMENTAL INFORMATION (CONT'D)

(ii) BY GEOGRAPHICAL AREA

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

	Individual Quarter		Cumulative Quarters (3 Months)	
	Current Quarter Ended	Preceding Financial Year Corresponding Quarter #	Current Financial Period To Date Ended	Preceding Financial Year Corresponding Quarter #
	30/9/2018 RM'000		30/9/2018 RM'000	
<b>Revenue</b>				
China	29,305	-	29,305	-
Malaysia	-	-	-	-
Other overseas countries	-	-	-	-
<b>Total</b>	<b>29,305</b>	<b>-</b>	<b>29,305</b>	<b>-</b>

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

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

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Not applicable

A11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There was no post balance sheet event.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

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

A13. CHANGES IN CONTINGENT LIABILITIES / ASSETS

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

A14. CAPITAL COMMITMENTS

There Group has the following capital commitment in relation to a capital work-in-progress in China as at the end of the current quarter :-

Contracted but not provided for	RM'000
Capital work-in-progress	24,147

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

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

**A15. FOREIGN CURRENCY TRANSLATION**

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

	<b>As at Current Year Quarter Ended 30/9/2018</b>	<b>As at Financial Period Ended 30/6/2018</b>
Condensed consolidated statement of comprehensive income		
Based on closing rates for the quarter / financial period RMB1.00 to RM	0.5994	0.6290
Condensed consolidated statement of financial position		
Based on closing rates for the quarter / financial period RMB1.00 to RM	0.6015	0.6100

**A16. SIGNIFICANT RELATED PARTY TRANSACTION**

**(a) Identities of Related Parties**

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

**(b) Related Party Transactions**

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

**PART B :-**

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

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

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

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

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

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

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

	Current Quarter Ended 30/9/2018 RM '000	Immediate Preceding Quarter Ended 30/6/2018 RM '000	Changes	
			RM'000	Percentage
Revenue	29,305	31,910	-2,605	-8%
Profit from operations	1,460	5,153	-3,693	-72%
Profit before interest and tax *	1,909	5,379	-3,470	-65%
Profit before tax	1,909	5,379	-3,470	-65%
Profit after tax	1,508	4,074	-2,566	-63%
Profit attributable to ordinary equity holders of the parent	1,508	4,074	-2,566	-63%

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

**(i) REVENUE**

**a) FABRIC PRODUCTION SEGMENT**

Sales of fabric are generally lower for the current reporting quarter, resulted partly from the tension of trade war between the United States of America and China. Export sales had slowed down in pace. The Management is observing the development in the trade war mentioned and also trade sanction in the Middle East.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

**PART B :-**

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

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

**(i) REVENUE (CONT'D)**

**b) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT**

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

**(ii) OPERATING PROFIT/LOSS**

Results from operations of the Group for the current reporting quarter decreased compared to the immediate preceding quarter, resulted primarily to factor mentioned below:-

- Lower sales revenue recorded

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

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

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

Profit after tax and profit attributable to ordinary equity holders of the parent of the Group is lower than the immediate preceding quarter for reasons detailed in B2 (ii) and (iii) above.

**PART B :-**

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

**B3. PROSPECTS**

**a) FABRIC PRODUCTION SEGMENT**

Apart from striving for improvement in productivity, to counter challenges posed by the up-trending wages and other manufacturing overheads (eg energy and electricity cost), the Group is also contemplating in various efforts of exploring deeper domestic market with the objective to secure more sales.

However, the recent tension from trade war between US and China as well as the 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.

**b) PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION SEGMENT**

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

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

The Group has not provided any profit forecast or profit guarantee during the quarter ended 30 September 2018.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

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

**B5. TAXATION**

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30/9/2018 RM'000	Preceding Financial Year Corresponding Quarter # RM'000	Current Quarter To- Date Ended 30/9/2018 RM'000	Preceding Financial Year # RM'000
Tax on profit	401	-	401	-
In respect of :-				
- Top Textile (Suzhou) Co., Ltd	390	-	390	-
- Gorgeous Goldhill Sdn. Bhd.	11	-	11	-

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 are subject to a statutory tax rate at 24%. Nevertheless, the Company is in a tax loss position.

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

**B6. CORPORATE PROPOSALS**

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

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

For avoidance of doubt, the Term Sheet will be subject to the signing of a definitive share sale agreement to be entered into between the Company and the Vendor(s) on a later date. The Company will update on any development in due course.

**PART B :-**

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

**B7. BORROWINGS**

There was no outstanding borrowing as at 30 September 2018.

**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 30 September 2018.

**B11. NON-COMPLIANCE TO THE PUBLIC SHAREHOLDING SPREAD REQUIREMENT**

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

Based on the Record of Depositors as at 19 November 2018, the public shareholding spread of the Company was 20.79%.

The Company had on 27 June 2018, 2 July 2018, 10 July 2018, 24 July 2018 and 31 July 2018 submitted applications to seek the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for a further extension of time of nine (9) months from 1 July 2018 until 31 March 2019 to comply with the public shareholding spread requirement pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities ("**MMLR**") ("**Public Spread Requirement**").

In a decision letter dated 10 August 2018, Bursa Securities has granted the Company a further extension of time of six (6) months until 31 December 2018 to comply with the Public Spread Requirement.

The Company will continue to work on its rectification plan to address the shortfall in the Public Spread Requirement, within the extension of time granted by Bursa Securities till 31 December 2018 and will make the necessary announcement in relation to the status of the Public Spread Requirement in accordance with the MMLR.



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

**PART B :-**

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

**B12. EARNINGS PER SHARE**

	<b>Current Year Quarter Ended 30/9/2018 RM '000 Unaudited</b>	<b>Preceding Financial Year Ended 30/6/2018 RM '000 Audited</b>
<b>a) Basic earnings per share</b>		
Net profit attributable to equity holders of the Company	1,508	122
Weighted average number of ordinary shares ('000)	394,899	652,379
Basic earnings per share (sen)	0.38	0.02

**b) Diluted earnings per share**

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