



SINOTOP HOLDINGS BERHAD (114842-H)

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

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

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019. 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 year ended 30 June 2019.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

A2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
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 : Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 : Definition of Material	1 January 2019
Amendments to MFRS 119 : Plan Amendment, Curtailment or Settlements	1 January 2019
Amendments to MFRS 128 : Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017	1 January 2019

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

CONTINUING OPERATIONS

i) 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.

DISCONTINUED OPERATIONS

ii) 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 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.

The generally higher production costs (primarily arisen from higher wages, costs relating to compliance to environmental protection rules and utilities costs) does 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

A5. UNUSUAL ITEMS

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

A6. CHANGES IN ESTIMATES

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

A7. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

A8. DIVIDEND

There were no dividends paid for the quarter ended 30 September 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

A9. SEGMENTAL INFORMATION

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information.

	Project Management Services and Infrastructure construction and Investment Holdings <i>Continuing</i>		Fabric Production <i>Discontinued</i>		Adjustments and Elimination		Per Consolidated Financial Statements	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Revenue	4,926	-	31,677	29,305	-	-	36,603	29,305
Results								
Segment profit/(loss)	693	500	1,830	1,627	(687)	(769)	1,836	1,358
Segmental profit/(loss) include the following:								
Interest income on:-								
- financial asset measured at amortised costs	(18)	(34)	(20)	(134)	-	-	(38)	(168)
- financial asset measured mandatorily at fair value through profit or loss	-	-	(401)	-	-	-	(401)	-
Allowance for impairment loss on trade receivables	-	-	159	370	-	-	159	370
Amortisation of land use rights *	-	-	-	42	-	-	-	42
Depreciation of property, plant and equipment *	-	-	-	840	-	-	-	840
Rental income from investment property	-	-	(196)	-	-	-	(196)	-
Share of results of a joint venture	-	-	(68)	(449)	-	-	(68)	(449)
Unrealised gain on foreign exchange	-	-	(647)	-	-	-	(647)	-
Writeback of allowance for impairment loss on trade receivables	-	-	(302)	-	-	-	(302)	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

A9. SEGMENTAL INFORMATION (CONT'D)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information (cont'd)

	Project Management Services and Infrastructure construction and Investment Holdings		Fabric Production		Group	
	<i>(Continuing)</i>		<i>(Discontinued)</i>			
	30.9.2019 RM'000	30.6.2019 RM'000	30.9.2019 RM'000	30.6.2019 RM'000	30.9.2019 RM'000	30.6.2019 RM'000
Assets						
Segment assets	26,164	21,817	110,144	119,312	136,308	141,129
Consolidated total assets					136,308	141,129
Liabilities						
Segment liabilities	29,069	24,503	3,201	10,272	32,270	34,775
Current tax liabilities					620	220
Consolidated total liabilities					32,890	34,995

* Para 25 of MFRS5 requires that there shall not be any amortisation and depreciation of non-current assets while these are classified as held for sale.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

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 has not been any other capital commitment as at end of the current reporting quarter.

A15. FOREIGN CURRENCY TRANSLATION

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

	As at Current Year Quarter Ended 30/9/2019	As at Financial Period Ended 30/6/2019
Condensed consolidated statement of comprehensive income		
Based on average rate for the quarter / financial period RMB1.00 to RM	0.5927	0.6045
Condensed consolidated statement of financial position		
Based on closing rate for the quarter / financial period RMB1.00 to RM	0.5879	0.6026

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

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.

A17. ASSETS CLASSIFIED AS HELD FOR SALE

On 12 December 2018, the Company announced the proposed disposal of the entire equity interest in Be Top Group Limited ("**Be Top**") to Gifted Investments Limited ("**GIL**") for a total cash consideration of RM70 million including assumption of liabilities by GIL ("**Proposed Disposal**"). The Company announced that it had on 2 May 2019, entered into a conditional sale and purchase agreement ("**SPA**") with GIL in respect of the Proposed Disposal.

As at the end of the current reporting period, the assets and 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", "Liabilities classified as held for sale" and "Reserves classified as held for sale", and its results are presented separately on the consolidated statement of profit or loss and other comprehensive income as "Profit/(Loss) from discontinued operations". The disposal is expected to be completed within one year from 30 June 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

A17. ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D)

The assets, liabilities and reserves of the disposal group are as follows:-

	30.9.2019	30.6.2019
Assets		
NON-CURRENT ASSETS		
Investment in a joint venture	6,957	7,243
Property, plant and equipment	46,944	51,912
Land use rights	6,201	6,398
Investment property	3,921	4,019
	<hr/>	<hr/>
	64,023	69,572
Loss on re-measurement of assets classified as held for sale	-	(69,572)
Reclassification consolidation adjustments	(64,023)	-
	<hr/>	<hr/>
	-	-
CURRENT ASSETS		
Inventories	13,662	11,305
Trade receivables	30,143	31,443
Other receivables and deposits	8,145	4,234
Short-term investments	52,911	56,614
Fixed deposits with licensed banks	1,411	1,085
Cash and bank balances	9,421	14,631
	<hr/>	<hr/>
Assets classified as held for sale	115,693	119,312
RESERVE		
Foreign exchange translation reserve	41,335	40,338
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Reserve classified as held for sale	41,335	40,338
LIABILITIES		
Trade payables	674	2,682
Other payables and accruals	2,527	7,590
Current tax liabilities	547	148
	<hr/>	<hr/>
Liabilities classified as held for sale	3,748	10,420
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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

**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

CONTINUING OPERATIONS

Revenue in the current reporting quarter increased by RM4.92 million, which the project management services and infrastructure construction contributed RM4.908 million, in line with this segment being the core business of the Group. This contribution is from a project which is progressing.

DISCONTINUED OPERATIONS

Revenue from the Group's fabric production and sale business segment increased by RM2.37 million in the first quarter of the current financial year (Q1 of 2020 : RM31.68 million vs Q1 of 2019: RM29.31 million), contributed mainly by higher sales revenue from the business of sale of fabric.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

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

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

	Current Quarter Ended 30/9/2019 RM '000	Immediate Preceding Quarter Ended 30/6/2019 RM '000	Changes	
			RM'000	Percentage
PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION & INVESTMENT HOLDING				
CONTINUING OPERATIONS				
Revenue	4,926	9,052	-4,126	45.58%
Gross profit	176	388	-212	-54.64%
Profit/(loss) from operations	9	(402)	411	100.24%
Profit/(loss) before interest and tax *	9	(402)	411	100.24%
Profit/(loss) before tax	9	(402)	411	100.24%
Profit/(loss) after tax	6	(474)	411	86.71%
Profit/(loss) attributable to ordinary equity holders of the parent	6	(474)	480	100.27%

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

PART B :-

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

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

	Current Quarter Ended 30/9/2019 RM '000	Immediate Preceding Quarter Ended 30/6/2019 RM '000	Changes	
			RM'000	Percentage
PRODUCTION AND SALE OF FABRICS				
DISCONTINUED OPERATIONS				
Revenue	31,677	22,338	9,339	41.81%
Gross profit	2,539	1,580	1,607	0.10%
Profit/(loss) from operations	2,186	(5,157)	7,343	142.39%
Profit/(loss) before interest and tax *	2,186	(4,530)	6,716	148.26%
Profit/(loss) before tax	2,186	(4,530)	6,716	148.26%
Profit/(loss) after tax	1,830	(4,774)	6,604	138.33%
Profit/(loss) attributable to ordinary equity holders of the parent	1,830	(4,774)	6,604	138.33%

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

(i) REVENUE

a) Project Management Services and Infrastructure Construction Segment and investment holding (Continuing Operations)

Turnover of RM4.908 recognized from the project management services and infrastructure construction business for the current reporting quarter was contributed by projects that the Group secured. The lower revenue in the current quarter as opposed to the comparative quarter was mainly due to one project is still completing its initial stage where the construction work is gradually increasing.

b) Fabric Production Segment (discontinued operations)

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

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

(ii) RESULTS FROM OPERATIONS

a) Continuing operations

The gross profit and accordingly the profit from operations from the continuing operations in the current quarter is still at a minimal quantum due to a project that is still progressing towards the completion of the initial stage.

b) Discontinued operations

The gross profit of fabric production segment increased by RM1.61 million in the current quarter for the reason of higher revenue base in the current reporting quarter as the period of July to September is traditionally the peak season for the fabric production business.

Profit from operations as opposed to loss from operations recorded in the comparative quarter is due to the following factors:-

- lower operating expenses in the current reporting quarter;
- higher revenue base in the current reporting quarter; and
- higher other operating income recorded in the current reporting quarter.

(iii) PROFIT/(LOSS) BEFORE INTEREST AND TAX, PROFIT BEFORE TAX & PROFIT AFTER TAX

a) Continuing operations

The project management services and infrastructure construction segment recorded a marginal profit for the reason of lower administrative expenses being incurred in the current reporting quarter.

b) Discontinued operations

The fabric production segment recorded profit before interest and tax as a result of the following factors:-

- higher sales revenue recorded in the current reporting quarter;
- lower provision for impairment losses on trade receivables; and
- writeback of provision for impairment losses on trade receivables provided for in the previous financial year following the payment received from customer

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

The profit after tax and profit attributable to ordinary equity holders of the parent of the Group, for the continuing and discontinued operations of the Group, were recorded in the current quarter for reasons detailed in B2 (ii) and (iii) above.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

B3. PROSPECTS

i) CONTINUING OPERATIONS

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 has been diligent in the effort of securing contracts and business opportunities to grow this business segment.

Going forward, the Group continues to focus on building reputation and positive relationships with clients by delivering commendable services and contract work. The Group aims at strengthening foothold in the industry in order to increase order book.

Besides, the Group will continue to build greater presence in the general infrastructure construction work which allows the Group to tap on the more lucrative and a market of higher demand in the infrastructure construction business.

ii) DISCONTINUED OPERATIONS

FABRIC PRODUCTION SEGMENT

Tension from trade war between US and China has exerted tremendous pressure on the group's overall sales. In addition, the slow recovery pace of global economy, development of China gross domestic product trend in the coming years, economic policies, coupled with higher manufacturing overheads, especially wages and utilities, are still affecting the Group's financial performance, particularly when the Group is operating in the fast-moving consumer goods segment which demand is highly dependent on trend and fashion.

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

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 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

B5. TAXATION

	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended 30/9/2019	Preceding Financial Year Corresponding Quarter 30/6/2018	Current Quarter To-Date Ended 30/9/2019	Preceding Financial Year 30/6/2018
	RM'000	RM'000	RM'000	RM'000
Tax on profit	359	401	359	401
In respect of :-				
Continuing operations				
- Gorgeous Goldhill Sdn. Bhd.	3	11	3	11
Discontinued operations				
- Top Textile (Suzhou) Co., Ltd	356	390	356	390

The corporate tax rates 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

B6. CORPORATE PROPOSALS

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

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

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

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

Pursuant to the SPA, it has been agreed that the conditions precedent ("**CP**") of the SPA have to be fulfilled on or before the cut-off date, being 2 August 2019, the date falling no later than three (3) months from the date of the SPA, or such other date that may be mutually agreed in writing by the parties ("**SPA Cut-off Date**"). Accordingly, on 2 August 2019, the Company announced that the Company and GIL had via a letter dated 2 August 2019, mutually agreed to extend the SPA Cut-off Date for two (2) months to 2 October 2019 to facilitate the fulfilment of CP in the SPA. On 2 October 2019, the Company announced that Sinotop and GIL had via a letter dated the even date, mutually agreed to extend the cut-off date of 2 October 2019 for three months to 2 January 2020

ii) PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ASIANMAX CORPORATION SDN BHD ("ACSB**")**

On 1 April 2019, the Company announced that it had 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 ACSB from DJ for an indicative total purchase consideration of RM96.00 million ("**Proposed Acquisition**").

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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

B6. CORPORATE PROPOSALS (CONT'D)

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**").

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.

As at the reporting date, the Proposed Disposal, Proposed Capital Reduction and Proposed Share Consolidation are still on-going.

B7. BORROWINGS

There was no outstanding borrowing as at 30 September 2019.

B8. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B9. CHANGES IN MATERIAL LITIGATION

The Group does not have any material litigation.

B10. PROPOSED DIVIDEND

The Board does not recommend the payment of any dividend for the quarter ended 30 September 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

**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 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 Securities.

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

Based on the Record of Depositors as at 18 November 2019 the public shareholding spread of the Company was 20.81%. The Company is required to meet the Public Spread Requirements by 29 April 2020.

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

B12. EARNINGS /(LOSS) PER SHARE

	Current Year Quarter Ended 30/9/2019 RM '000 Unaudited	Preceding Financial Year Ended 30/6/2019 RM '000 Audited
a) Basic earnings/(loss) per share		
(i) Continuing operations		
Net profit/(loss) attributable to equity holders of the Company	6	(1,097)
Weighted average number of ordinary shares ('000)	394,899	394,899
Basic earnings/(loss) per share (sen)	-	(0.28)
(ii) Discontinued operations		
Net profit/(loss) attributable to equity holders of the Company	1,830	(72,770)
Weighted average number of ordinary shares ('000)	394,899	394,899
Basic earnings/(loss) per share (sen)	0.46	(18.43)

b) Diluted earnings per share

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.