

SINOTOP HOLDINGS BERHAD

198401002327 (114842-H)

(Incorporated In Malaysia)

QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

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

	3 MONTHS		CUMULATIVE 6 MONTHS	
	CURRENT YEAR	PRECEDING FINANCIAL YEAR	CURRENT FINANCIAL YEAR	PRECEDING FINANCIAL YEAR
	QUARTER ENDED	CORRESPONDING QUARTER	YEAR-TO-DATE ENDED	CORRESPONDING QUARTER
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000 Unaudited	RM'000 Audited	RM'000 Unaudited	RM'000 Audited
CONTINUING OPERATIONS				
Revenue	3,694	-	8,620	-
Cost of sales	(3,552)	-	(8,302)	-
Gross profit	142	-	318	-
Other operating income	-	20	-	24
Distribution and marketing expenses	-	-	-	-
Administrative expenses	(166)	(224)	(270)	(486)
Other operating expenses	(1)	(24)	(64)	(24)
Loss before taxation	(25)	(228)	(16)	(486)
Taxation	(5)	(3)	(8)	(14)
Loss after taxation from continuing operations	(30)	(231)	(24)	(500)
DISCONTINUED OPERATIONS				
Profit/(loss) after taxation from discontinued operations	2,635	(579)	4,465	1,048
Profit/(loss) after taxation	2,605	(810)	4,441	548
Other comprehensive expense, net of tax				
Foreign currency translation differences	(6,725)	(284)	(5,728)	(2,573)
Total comprehensive expense for the period	(4,120)	(1,094)	(1,287)	(2,025)
Profit/(loss) attributable to:				
Equity holders of the parent	2,605	(810)	4,441	548
Minority interest	-	-	-	-
	2,605	(810)	4,441	548
Total comprehensive expense attributable to:				
Equity holders of the parent	(4,120)	(1,094)	(1,287)	(2,025)
Minority interest	-	-	-	-
	(4,120)	(1,094)	(1,287)	(2,025)
Earnings/(loss) per share (sen) :				
- Basic				
Continuing operations	(0.01)	(0.06)	(0.01)	(0.13)
Discontinued operations	0.67	(0.15)	1.13	0.27
- Diluted				
Continuing operations	(0.01)	(0.06)	(0.01)	(0.13)
Discontinued operations	0.67	(0.15)	1.13	0.27

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/12/2019 RM'000 UNAUDITED	AS AT 30/6/2019 RM'000 AUDITED
ASSETS		
Non-current assets		
Investment in a joint venture	-	-
Property, plant and equipment	-	-
Investment property	-	-
Land use rights	-	-
	-	-
Current Assets		
Land use rights	-	-
Inventories	-	-
Trade and other receivables	16,731	3,530
Contract assets	5,997	16,162
Fixed deposits with licensed banks	-	2,100
Cash and bank balances	1,596	25
	24,324	21,817
Non-current assets classified as held for sale	119,036	119,312
Total assets	143,360	141,129
EQUITY AND LIABILITIES		
Share capital	118,470	118,470
Statutory reserve	16,179	15,697
Foreign currency translation reserve	-	-
Accumulated losses	(64,412)	(68,371)
	70,237	65,796
Reserves of a disposal group held for sale	39,189	40,338
Total equity	109,426	106,134
Current Liabilities		
Trade and other payables	27,258	24,503
Income tax payable	75	72
	27,333	24,575
Liabilities directly associated with assets classified as held for sale	6,601	10,420
Total liabilities	33,934	34,995
Total equity and liabilities	143,360	141,129
Net assets / (liabilities) per share (RM)	0.28	0.27

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

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	< ----- Non distributable ----- >				Distributable	Total Equity RM '000
	Share Capital RM '000	Statutory Reserve RM '000	Foreign Currency Translation Reserve RM '000	Reserves of a Disposal Group Held For Sale RM '000		
Balance at 1 July 2019 (audited)	118,470	15,697	-	40,338	(68,371)	106,134
Total comprehensive income for the financial year to date						
- Loss after tax for the financial year to date	-	-	-	-	(24)	(24)
Discontinued operations	-	482	-	(1,149)	3,983	3,316
Balance at 31 December 2019 (unaudited)	118,470	16,179	-	39,189	(64,412)	109,426

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 31/12/2019 RM'000 UNAUDITED	AS AT PRECEDING FINANCIAL YEAR ENDED 30/6/2019 RM'000 AUDITED
OPERATING ACTIVITIES			
Profit/(loss) before taxation			
- Continuing operations		(16)	(1,011)
- Discontinuing operations		5,116	(71,410)
		<hr/> 5,100	<hr/> (72,421)
Adjustments for :-			
Allowance for impairment losses on trade receivables		159	6,558
Amortisation of land use right	N1	-	70
Depreciation	N1	-	1,410
Inventory written off		-	429
Property, plant and equipment written off		-	2,024
Loss on re-measurement to fair value less costs to sell		-	69,572
Share of results of a joint venture		(950)	(1,300)
Unrealised gain on foreign exchange		(585)	(819)
Write-back of allowance for impairment losses on trade receivables		(302)	(5)
Interest income		(1,423)	(2,724)
Changes in working capital		(2,646)	1,419
- Decrease in inventories		-	14,161
- Increase in Trade receivables and other receivables		25	
- Decrease in Trade and other payables		(3,671)	23,511
- Decrease in contract assets		10,165	(16,162)
		<hr/> 5,872	<hr/> 25,723
Cash from operations			
Income tax paid		(804)	(1,677)
		<hr/> 5,068	<hr/> 24,046
Net cash generated from operating activities			
INVESTING ACTIVITIES			
(Placement)/withdrawal of fixed deposits with tenure more than 3 months		(1,059)	178
Purchase of property, plant and equipment		-	(13,560)
Purchase of short-term investments		(856)	(56,793)
Proceeds from disposal of short-term investments		-	36,270
Interest received		1,423	2,724
		<hr/> (492)	<hr/> (31,181)
Net cash for investing activities			
FINANCING ACTIVITY			
Net cash for financing activity		-	-
		<hr/> 4,576	<hr/> (7,135)
Net increase in cash and cash equivalents			
Foreign exchange translation differences		(8,728)	(272)
Cash and cash equivalents at beginning of the financial year	N2	16,756	24,163
Cash and cash equivalents at end of the period/financial year	N2	<hr/> 12,604	<hr/> 16,756

Note : () Denotes cash outflow

N1 Para 25 of MFRS5 requires that there shall not be amortisation and depreciation of non-current assets while these are classified as held for sale.

N2 Cash and cash equivalents from both continuing and discontinued operations, excluding fixed deposits with a tenure of more than 3 months.

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



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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 financial year ended 30 June 2019. 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 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 SECOND QUARTER ENDED 31 DECEMBER 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 17 Insurance Contracts	1 January 2021
MFRS 1 First Time Adoption of the Malaysian Financial Reporting Standards	1 January 2021
MFRS 9 Financial Instruments	1 January 2021
MFRS 15 Revenue From Contracts With Customers	1 January 2021
MFRS 101 Presentation of Financial Statements	1 January 2021
MFRS 107 Statement of Cash Flows	1 January 2021
MFRS 132 Financial Instruments Presentation	1 January 2021
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

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 SECOND QUARTER ENDED 31 DECEMBER 2019

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

A5. UNUSUAL ITEMS

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

A6. CHANGES IN ESTIMATES

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

A7. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

A8. DIVIDEND

There were no dividends paid for the quarter ended 31 December 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 Holding <i>Continuing</i>		Fabric Production <i>Discontinued</i>		Adjustments and Elimination		Per Consolidated Financial Statements	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Revenue	8,620	-	63,005	58,468	(63,005)	(58,468)	8,620	-
Results								
Segment profit/(loss) before taxation	569	(67)	5,116	1,836	(5,701)*	(2,255)	(16)	(486)
<i>*included a consolidation adjustment on unrealized foreign currency translation gain and loss in the investment holding company</i>								
Segmental profit/(loss) include the following:								
Interest income on:-								
- financial asset measured at amortised costs	(27)	(4)	(60)	(552)	60	552	(27)	(4)
- financial asset measured mandatorily at fair value through profit or loss	-	-	(1,336)	-	1,336	-	-	-
Allowance for impairment loss on trade receivables	-	-	159	674	(159)	(674)	-	-
Amortisation of land use rights *	-	-	82	84	(82)	(84)	-	-
Depreciation of property, plant and equipment *	-	-	756	1,676	(756)	(1,676)	-	-
Writeback of allowance for impairment losses on trade receivables	-	-	(302)	(5)	302	5	-	-
Share of results of a joint venture	-	-	(950)	(494)	950	494	-	-
Unrealised gain on foreign exchange	(585)	(449)	-	-	585	449	-	-
Unrealised loss on foreign exchange	-	30	-	-	-	(30)	-	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 Holding		Fabric Production		Group	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Assets						
Segment assets	24,324	4,306 [@]	119,036	212,754	143,360	217,060
Consolidated total assets					143,360	217,060
<i>@ # Segment asset of the continuing operations included a reclassification of RM77,000 from net tax payable at group level (as previously disclosed in the results announcement of the second quarter of the financial year 2019) to tax recoverable for the project management and infrastructure construction segment.</i>						
Liabilities						
Segment liabilities	27,333	6,452 [#]	6,601	30,166	33,934	36,618
Current tax liabilities						-
Consolidated total liabilities					33,934	36,618

* Para 25 of MFRS 5 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 SECOND QUARTER ENDED 31 DECEMBER 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 31/12/2019	As at Preceding Year Corresponding Quarter Ended 31/12/2018
Condensed consolidated statement of comprehensive income		
Based on average rate for the quarter / financial period RMB1.00 to RM	0.5919	0.6006
Condensed consolidated statement of financial position		
Based on closing rate for the quarter / financial period RMB1.00 to RM	0.5866	0.6017

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 2 May 2019, the Company announced that it had on the even date, entered into a conditional sale and purchase agreement ("**SPA**") with Gifted Investments Limited ("**GIL**") in respect of the proposed disposal of the entire equity interest in Be Top Group Limited ("**Be Top**") to GIL for a total cash consideration of RM70 million including assumption of liabilities by GIL ("**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 (operated by the subsidiary of Be Top), 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 Proposed Disposal is expected to be completed within one year from 30 June 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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:-

	31.12.2019	30.6.2019
Assets		
NON-CURRENT ASSETS		
Investment in a joint venture	8,402	7,243
Property, plant and equipment	47,213	51,912
Land use rights	6,051	6,398
Investment property	3,912	4,019
	<u>65,578</u>	<u>69,572</u>
Loss on re-measurement of assets classified as held for sale	(65,578)	(69,572)
	<u>-</u>	<u>-</u>
CURRENT ASSETS		
Inventories	13,951	11,305
Trade receivables	30,599	31,443
Other receivables and deposits	5,053	4,234
Short-term investments	58,073	56,614
Fixed deposits with licensed banks	352	1,085
Cash and bank balances	11,008	14,631
	<u>119,036</u>	<u>119,312</u>
Assets classified as held for sale	<u>119,036</u>	<u>119,312</u>
RESERVE		
Reserves of a disposal group held for sale	39,189	40,338
	<u>39,189</u>	<u>40,338</u>
Reserve classified as held for sale	<u>39,189</u>	<u>40,338</u>
LIABILITIES		
Trade payables	567	2,682
Other payables and accruals	6,034	7,590
Current tax liabilities	-	148
	<u>6,601</u>	<u>10,420</u>
Liabilities classified as held for sale	<u>6,601</u>	<u>10,420</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 YEAR

CONTINUING OPERATIONS

Revenue in the current reporting quarter increased by RM3.69 million, which is mainly contributed by the project management services and infrastructure construction segment, being the core business of the Group. This contribution is from two ongoing projects.

DISCONTINUED OPERATIONS

Revenue from the Group's fabric production and sale business segment increased by RM2.26 million in the second quarter of the current financial year (Q2 of 2020: RM31.37 million vs Q2 of 2019: RM29.11 million), contributed mainly by higher sales revenue from the business of sale of fabric in the normal course of business.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

PART B :-

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

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

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

	Current Quarter Ended 31/12/2019 RM '000	Immediate Preceding Quarter Ended 30/9/2019 RM '000	Changes	
			RM'000	Percentage
PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION & INVESTMENT HOLDING				
CONTINUING OPERATIONS				
Revenue	3,694	4,926	-1,232	-25%
Gross profit	142	176	-34	-19%
Profit/(loss) from operations	(25)#	9	-34	-378%
Profit/(loss) before interest and tax \$	(25)	9	-34	-378%
Profit/(loss) before tax	(25)	9	-34	-378%
Profit/(loss) after tax	(30)	6	-36	-600%
Profit/(loss) attributable to ordinary equity holders of the parent	(30)	6	-36	-600%

Resulted from operating expenses incurred by the holding company

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 31/12/2019 RM'000	Immediate Preceding Quarter Ended 30/9/2019 RM'000	Changes	
			RM'000	Percentage
PRODUCTION AND SALE OF FABRICS				
DISCONTINUED OPERATIONS				
Revenue	31,328	31,677	-349	-1%
Gross profit	2,685	2,539	146	6%
Profit/(loss) from operations	2,930	2,186	744	34%
Profit/(loss) before interest and tax *	2,930	2,186	744	34%
Profit/(loss) before tax	2,930	2,186	744	34%
Profit/(loss) after tax	2,635	1,830	805	44%
Profit/(loss) attributable to ordinary equity holders of the parent	2,635	1,830	805	44%

*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 RM3.69 million 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 due mainly to a project is at the completion stage which provided less contribution.

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 SECOND QUARTER ENDED 31 DECEMBER 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 is at the completion stage which provided less contribution.

b) Discontinued operations

The gross profit of fabric production segment remains stable in the current 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 loss for the reason of administrative expenses incurred at the investment holdings segment in the current reporting quarter.

b) Discontinued operations

The fabric production segment recorded profit before interest and tax as a result of income derived from short term investment.

(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 SECOND QUARTER ENDED 31 DECEMBER 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 and actively 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 works. The Group aims at strengthening its 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 unresolved 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 31 December 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

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

B5. TAXATION

	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended	Preceding Financial Year Corresponding Quarter	Current Quarter To- Date Ended	Preceding Financial Year
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Tax on profit	300	184	659	585
In respect of :-				
Continuing operations				
- Gorgeous Goldhill Sdn. Bhd.	5	3	8	14
Discontinued operations				
- Top Textile (Suzhou) Co., Ltd	295	181	651	571

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 SECOND QUARTER ENDED 31 DECEMBER 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**"). Subsequently, as per a series of announcements of the Company dated 2 August 2019, 2 October 2019 and 2 January 2020 respectively, the SPA Cut-off Date had eventually been extended to 2 April 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**"). The Company eventually entered into a conditional share sale agreement with DJ on 23 April 2019 in relation to the Proposed Acquisition ("**SSA**")

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

PART B :-

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

B6. CORPORATE PROPOSALS (CONT'D)

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

However, the then 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 ("**Proposals**") are still on-going.

B7. BORROWINGS

There was no outstanding borrowing as at 31 December 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 31 December 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 14 February 2020 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 Financial Year (<i>Second Quarter</i>) Ended 31/12/2019 RM'000 Unaudited	Preceding Financial Year Ended 30/6/2019 RM'000 Audited
a) Basic loss per share		
(i) Continuing operations		
Net loss attributable to equity holders of the Company	(24)	(1,097)
Weighted average number of ordinary shares ('000)	394,899	394,899
Basic loss per share (sen)	(0.01)	(0.28)
(ii) Discontinued operations		
Net profit/(loss) attributable to equity holders of the Company	4,465	(72,770)
Weighted average number of ordinary shares ('000)	394,899	394,899
Basic earnings/(loss) per share (sen)	1.13	(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.