

# **SINOTOP HOLDINGS BERHAD**

**198401002327 (114842-H)**

*(Incorporated In Malaysia)*

## **QUARTERLY UNAUDITED FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

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

	3 MONTHS		CUMULATIVE 9 MONTHS	
	CURRENT YEAR QUARTER ENDED 31/3/2020 RM'000 Unaudited	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER 31/3/2019 RM'000 Audited	CURRENT FINANCIAL YEAR-TO-DATE ENDED 31/3/2020 RM'000 Unaudited	PRECEDING FINANCIAL YEAR CORRESPONDING QUARTER 31/3/2019 RM'000 Audited
<b>CONTINUING OPERATIONS</b>				
Revenue	6	7,184	8,626	7,184
Cost of sales	-	(7,000)	(8,302)	(7,000)
<b>Gross profit</b>	<b>6</b>	<b>184</b>	<b>324</b>	<b>184</b>
Other operating income	-	68	-	92
Distribution and marketing expenses	-	-	-	-
Administrative expenses	(229)	(120)	(499)	(606)
Other operating expenses	(42)	(251)	(106)	(275)
<b>Loss before taxation</b>	<b>(265)</b>	<b>(119)</b>	<b>(281)</b>	<b>(605)</b>
Taxation	(8)	-	(16)	(14)
Loss after taxation from continuing operations	(273)	(119)	(297)	(619)
<b>DISCONTINUED OPERATIONS</b>				
Profit after taxation from discontinued operations	1,677	528	6,142	1,576
<b>Profit after taxation</b>	<b>1,404</b>	<b>409</b>	<b>5,845</b>	<b>957</b>
<b>Other comprehensive expense, net of tax</b>				
Foreign currency translation differences	7,385	1,548	1,657	(1,025)
<b>Total comprehensive income/ (expense) for the period</b>	<b>8,789</b>	<b>1,957</b>	<b>7,502</b>	<b>(68)</b>
<b>Profit/(loss) attributable to:</b>				
Equity holders of the parent	1,404	409	5,845	957
Minority interest	-	-	-	-
	<b>1,404</b>	<b>409</b>	<b>5,845</b>	<b>957</b>
<b>Total comprehensive expense attributable to:</b>				
Equity holders of the parent	8,789	1,957	7,502	(68)
Minority interest	-	-	-	-
	<b>8,789</b>	<b>1,957</b>	<b>7,502</b>	<b>(68)</b>
<b>Earnings/(loss) per share (sen) :</b>				
<b>- Basic</b>				
Continuing operations	(0.07)	(0.03)	(0.08)	(0.16)
Discontinued operations	0.42	0.13	1.56	0.40
<b>- Diluted</b>				
Continuing operations	(0.07)	(0.03)	(0.08)	(0.16)
Discontinued operations	0.42	0.13	1.56	0.40

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/3/2020 RM'000 UNAUDITED	AS AT 30/6/2019 RM'000 AUDITED
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment in a joint venture	-	-
Property, plant and equipment	-	-
Investment property	-	-
Land use rights	-	-
	-	-
<b>Current Assets</b>		
Land use rights	-	-
Inventories	-	-
Trade and other receivables	17,414	3,530
Contract assets	5,997	16,162
Fixed deposits with licensed banks	-	2,100
Cash and bank balances	96	25
	23,507	21,817
Non-current assets classified as held for sale	123,580	119,312
<b>Total assets</b>	<b>147,087</b>	<b>141,129</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	118,470	118,470
Statutory reserve	16,365	15,697
Foreign currency translation reserve	-	-
Accumulated losses	(63,194)	(68,371)
	71,641	65,796
Reserves of a disposal group held for sale	43,199	40,338
<b>Total equity</b>	<b>114,840</b>	<b>106,134</b>
<b>Current Liabilities</b>		
Trade and other payables	26,784	24,503
Income tax payable	5	72
	26,789	24,575
Liabilities directly associated with assets classified as held for sale	5,458	10,420
<b>Total liabilities</b>	<b>32,247</b>	<b>34,995</b>
<b>Total equity and liabilities</b>	<b>147,087</b>	<b>141,129</b>
<b>Net assets per share (RM)</b>	<b>0.29</b>	<b>0.27</b>

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

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

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	Unappropriated Profits RM '000	Total Equity 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	-	-	-	-	(297)	(297)	
Discontinued operations	-	668	-	2,861	5,474	9,003	
Balance at 31 March 2020 (unaudited)	118,470	16,365	-	43,199	(63,194)	114,840	

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 31/3/2020 RM'000 UNAUDITED	AS AT PRECEDING FINANCIAL YEAR ENDED 30/6/2019 RM'000 AUDITED
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) before taxation			
- Continuing operations		(281)	(1,011)
- Discontinuing operations		7,153	(71,410)
		<u>6,872</u>	<u>(72,421)</u>
<b>Adjustments for :-</b>			
Allowance for impairment losses on trade receivables		9	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		(1,459)	(1,300)
Unrealised loss/(gain) on foreign exchange		827	(819)
Write-back of allowance for impairment losses on trade receivables		(185)	(5)
Interest income		(1,462)	(2,724)
Changes in working capital		(2,087)	1,419
- (Increase)/Decrease in inventories			
- (Increase)/Decrease in trade receivables and other receivables		(8,513)	14,161
- (Decrease)/Increase in trade and other payables		(3,334)	23,511
- Decrease/(Increase) in contract assets		10,165	(16,162)
		<u>833</u>	<u>25,723</u>
Cash from operations			
Income tax paid		(293)	(1,677)
		<u>540</u>	<u>24,046</u>
Net cash generated from operating activities			
<b>INVESTING ACTIVITIES</b>			
Withdrawal of fixed deposits with tenure more than 3 months		2,457	178
Placement of deposit for purchase of unquoted shares		(1,000)	-
Purchase of property, plant and equipment		-	(13,560)
Purchase of short-term investments		(5,290)	(56,793)
Proceeds from disposal of short-term investments		-	36,270
Interest received		1,462	2,724
		<u>(2,371)</u>	<u>(31,181)</u>
Net cash for investing activities			
<b>FINANCING ACTIVITY</b>			
Net cash for financing activity		-	-
		<u>(1,831)</u>	<u>(7,135)</u>
Net decrease in cash and cash equivalents			
Foreign exchange translation differences		2,421	(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	<u>17,346</u>	<u>16,756</u>

**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 THIRD QUARTER ENDED 31 MARCH 2020**

**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 THIRD QUARTER ENDED 31 MARCH 2020

### 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:-

<b>MFRSs and IC Interpretations (Including the Consequential Amendments)</b>	<b>Effective Date</b>
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 THIRD QUARTER ENDED 31 MARCH 2020**

**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 March 2020.



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

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		
	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.12.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
<b>Revenue</b>	8,626	7,184	79,501	87,538	(79,501)	(87,538)	8,626	7,184
<b>Results</b>								
Segment profit/(loss) before taxation	(1,108)	(517)	7,153	2,692	(6,326)*	(2,780)*	(281)	(605)
<i>*included a consolidation adjustment on unrealized foreign currency translation gain and loss in the investment holding company</i>								
<b>Segmental profit/(loss) include the following:</b>								
Interest income on:-								
- financial asset measured at amortised costs	(33)	(22)	(77)	(577)	77	(577)	(33)	(22)
- financial asset measured mandatorily at fair value through profit or loss	-	-	(1,352)	(1,228)	1,352	1,228	-	-
Allowance for impairment loss on trade receivables	-	-	9	1,123	(9)	(1,123)	-	-
Amortisation of land use rights *	-	-	124	127	(124)	(127)	-	-
Depreciation of property, plant and equipment *	-	-	1,227	2,656	(1,227)	(2,656)	-	-
Writeback of allowance for impairment losses on trade receivables	-	-	(185)	-	185	-	-	-
Share of results of a joint venture	-	-	(1,459)	(673)	1,459	673	-	-
Unrealised gain on foreign exchange	(719)	(763)	-	-	719	763	-	-
Unrealised loss on foreign exchange	1,546	675	-	-	(1,546)	(675)	-	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

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	
	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
<b>Assets</b>						
Segment assets	23,507	13,902	123,580	217,250	147,087	231,152
<b>Consolidated total assets</b>					<b>147,087</b>	<b>231,152</b>
<b>Liabilities</b>						
Segment liabilities	26,784	16,191	4,657	31,783	31,441	47,974
Current tax liabilities	5	-	801	996	806	996
<b>Consolidated total liabilities</b>					<b>32,247</b>	<b>48,970</b>

\* 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 THIRD QUARTER ENDED 31 MARCH 2020

### 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

On 23 April 2020, the Company announced that it had on the even date entered into a conditional share sale agreement ("**TAS SSA**") with Sabri Bin Ad Rahman ("**TAS Vendor**") for the acquisition by Sinotop of 5,865,000 ordinary shares in Television Airtime Services Sdn Bhd ("**TAS**"), representing 51% of the equity interest in TAS from the TAS Vendor for a total purchase consideration of RM7.00 million to be satisfied via issuance of 38,461,538 new ordinary shares in Sinotop ("**Sinotop Shares**") ("**Consideration Shares**") at an issue price of RM0.13 per Consideration Share for a total shares consideration of RM5.00 million and cash consideration of RM2.00 million ("**TAS Shares Acquisition**").

On 22 May 2020, the Board had announced that the TAS Shares Acquisition was completed following the listing of the Consideration Shares on the Main Market of Bursa Securities. Accordingly, Sinotop has now owns 51% beneficial interest of the share equity in TAS.

On 29 May 2020, the Board further announced that Sinotop had paid RM1.00 million to the TAS Vendor as part of the cash consideration in relation to the TAS Shares Acquisition. The balance cash consideration of RM1.00 million will be paid to the TAS Vendor within two (2) months from the completion date of the TAS SSA. The Board also announced that on the even date, TAS had made the full payment to HeiTech Padu Berhad ("**HTP**") and its appointed solicitor for the first and second payment tranches in relation to the sale and purchase agreement dated 10 December 2019 for the disposal by HTP of 60% equity interest in Dapat Vista (M) Sdn Bhd ("**DVSB**") to TAS. Pursuant thereto, DVSB is currently a 56%-owned subsidiary of TAS.

#### 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

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 31/3/2020</b>	<b>As at Preceding Year Corresponding Quarter Ended 31/3/2019</b>
Condensed consolidated statement of comprehensive income		
Based on average rate for the quarter / financial period RMB1.00 to RM	0.5945	0.6033
Condensed consolidated statement of financial position		
Based on closing rate for the quarter / financial period RMB1.00 to RM	0.6069	0.6069

**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 share sale agreement ("**Disposal SSA**") 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".

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

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:-

	31.3.2020	30.6.2019
<b>Assets</b>		
<b>NON-CURRENT ASSETS</b>		
Investment in a joint venture	8,905	7,243
Property, plant and equipment	48,370	51,912
Land use rights	6,218	6,398
Investment property	4,047	4,019
	<u>67,540</u>	<u>69,572</u>
Loss on re-measurement of assets classified as held for sale	(67,540)	(69,572)
	<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>		
Inventories	13,392	11,305
Trade receivables	25,185	31,443
Other receivables and deposits	5,121	4,234
Short-term investments	61,904	56,614
Fixed deposits with licensed banks	728	1,085
Cash and bank balances	17,250	14,631
	<u>123,580</u>	<u>119,312</u>
Assets classified as held for sale	<u>123,580</u>	<u>119,312</u>
<b>RESERVE</b>		
Reserves of a disposal group held for sale	43,199	40,338
	<u>43,199</u>	<u>40,338</u>
Reserve classified as held for sale	<u>43,199</u>	<u>40,338</u>
<b>LIABILITIES</b>		
Trade payables	887	2,682
Other payables and accruals	3,770	7,590
Current tax liabilities	801	148
	<u>5,458</u>	<u>10,420</u>
Liabilities classified as held for sale	<u>5,458</u>	<u>10,420</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

### 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

Year to date revenue as at the current reporting quarter increased by RM1.41 million as compared to the year-to-date revenue as at the end of the corresponding quarter of the preceding financial year, which is mainly contributed by the project management services and infrastructure construction segment. The contribution is from two ongoing projects.

##### DISCONTINUED OPERATIONS

Revenue from the Group's fabric production and sale business segment decreased by RM12.57 million in the third quarter of the current financial year (Q3 of 2020: RM16.50 million vs Q3 of 2019: RM29.07 million), due to lower revenue from the business of sale of fabric, resulted from a national lockdown in China and a consequent shutdown of the production in response to the pandemic COVID-19, in the first quarter of 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

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	Immediate	Changes	
	Quarter	Preceding	RM'000	Percentage
	Ended	Quarter		
	31/3/2020	Ended		
	RM'000	31/12/2019		
		RM'000		
<b>PROJECT MANAGEMENT SERVICES AND INFRASTRUCTURE CONSTRUCTION &amp; INVESTMENT HOLDING</b>				
<b>CONTINUING OPERATIONS</b>				
Revenue	6	3,694	-3,688	-99.84%
Gross profit	6	142	-136	-95.77%
Loss from operations	(36)	(25)#	-11	-44.00%
Loss before interest and tax \$	(36)	(25)	-11	-44.00%
Loss before tax	(36)	(25)	-11	-44.00%
Loss after tax	(44)	(30)	-14	-46.67%
Loss attributable to ordinary equity holders of the parent	(44)	(30)	-14	-46.67%

# 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 THIRD QUARTER ENDED 31 MARCH 2020

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 31/3/2020 RM'000	Immediate Preceding Quarter Ended 31/12/2019 RM'000	Changes	
			RM'000	Percentage
<b>PRODUCTION AND SALE OF FABRICS</b>				
<b>DISCONTINUED OPERATIONS</b>				
Revenue	16,496	31,328	-14,832	-47.34%
Gross profit	1,840	2,685	-845	-31.47%
Profit from operations	1,528	2,930	-1,402	-47.85%
Profit before interest and tax *	2,037	2,930	-893	-30.48%
Profit before tax	2,037	2,930	-893	-30.48%
Profit after tax	1,677	2,635	-958	-36.36%
Profit attributable to ordinary equity holders of the parent	1,677	2,635	-958	-36.36%

\*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)

There was no revenue being recognized from the project management services and infrastructure construction business for the current reporting quarter as the Company is at the final stage of completing its current projects.

b) Fabric Production Segment (Discontinued Operations)

Sales revenue of fabric dropped by RM14.83 million compared to the immediate reporting quarter, resulted from the seasonal factor of lower production during the first quarter affected by the usual long Chinese New Year break. However, in the current reporting quarter, the drop has been more drastic resulted by a national lockdown in China and the consequent total shutdown of production which has exaggerated the effect of drop in demand on the back of the prolonged unresolved trade war tension between the United States of America and China.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

**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 loss from operations from the continuing operations in the current quarter is entirely contributed by interest income derived from bank deposits placed by the holding company.

**b) Discontinued operations**

The gross profit of fabric production segment dropped in tandem with the drastic drop in revenue for the reasons mentioned in the previous section.

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

**a) Continuing operations**

The continuing operations recorded loss for the reason of operational expenses incurred for the current reporting quarter.

**b) Discontinued operations**

The fabric production segment recorded profit before interest and tax from its share of results in joint venture and interest income.

**(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 recorded in the current quarter for reasons detailed in B2 (ii) and (iii) above.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

### 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

As at 31 March 2020, the Group's project management services and infrastructure construction segment has only two remaining ongoing projects which were secured in last financial year ended 30 June 2019 and are currently in final construction stage with stages of completion of 96% and 98% respectively. This has resulted in no revenue being recognized from this segment for the current reporting quarter. The Group's project management services and infrastructure construction segment was not able to secure any new project during the nine months financial period ended 31 March 2020 in current financial year ending 30 June 2020.

The outlook for the Group's project management services and infrastructure construction segment would be unfavorable and challenging with the construction sector downturn.

##### ii) DISCONTINUED OPERATIONS

###### FABRIC PRODUCTION SEGMENT

Tension from the prolonged 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.

In addition, the eruption and aftermath of COVID-19 pandemic has casted a darker shadow over the existing economic uncertainties in the global business environment, the effect of which is yet to be quantified, at this juncture.

##### iii) NEW INVESTMENT

###### MOBILE AND DIGITAL SOLUTIONS SEGMENT

As disclosed in A11, the acquisition by the Company of 51% equity interest in TAS was completed on 22 May 2020. TAS is an investment holding company while its 56%-owned subsidiary, DVSB is involved in development, operations and maintenance of mobile messaging and mobile payment applications for government services.

DVSB launched the application "MyPay" which aims to offer a one-stop platform for all queries and payment-related transactions with Government agencies in Malaysia. DVSB has rolled out MyPay 2.0 services for 17 Government ministries and agencies including the Polis Diraja Malaysia (PDRM), National Higher Education Fund Corporation (PTPTN), Road Transport Department Malaysia (JPJ), Majlis Bandaraya Subang Jaya (MBSJ), Majlis Bandaraya Petaling Jaya (MBPJ) and Election Commission of Malaysia (SPR). In February 2020, DVSB launched Malaysia's first digital bail payment solution, namely "e-Jamin". To date, the e-Jamin digital platform is available in 101 courts spanning across eight states in Malaysia, and is expected to be launched in more courts countrywide.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

PART B:-

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

B3. PROSPECTS (CONT'D)

i) NEW INVESTMENT (CONT'D)

MOBILE AND DIGITAL SOLUTIONS SEGMENT (CONT'D)

Mobile technology is growing and evolving at an overwhelming pace. The rapid development of mobile and digital communications in Malaysia has led to high population coverage and penetration rates. The Government of Malaysia (“Government”) has embraced the information technology (“IT”) sector as a key driver for socio-economic growth. As such, the Government has identified several plans and programmes to drive further the sector and pave the way for the adoption and integration of IT solutions by enterprises across the nation. The IT sector is expected to gain greater momentum, driven by the convergence of industries and commercial activities due to digitalization.

With the outlook of the mobile and digital solutions industry in Malaysia and the prospect of DVSB, the Group’s new investment in the mobile and digital solutions businesses is expected to augur well for the Group.

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

The Group has not provided any profit forecast or profit guarantee during the quarter ended 31 March 2020.

B5. TAXATION

	Individual Quarter		Cumulative Quarters	
	Current	Preceding	Current	Preceding
	Quarter Ended	Financial Year	Quarter To-	Financial
	31/3/2020	Corresponding	Date Ended	Year
	31/3/2019	31/3/2020	31/3/2019	
	RM'000	RM'000	RM'000	RM'000
Tax on profit	368	545	1,027	1,130
In respect of:-				
<b>Continuing operations</b>				
• Gorgeous Goldhill Sdn. Bhd.	8	-	16	14
<b>Discontinued operations</b>				
• Top Textile (Suzhou) Co., Ltd.	360	545	1,011	1,116

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

- the corporate income tax rate of a subsidiary in the People’s Republic of China is 25%.
- the subsidiary incorporated in The British Virgin Islands is not subject to any corporate tax; and
- 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.

PART B:-

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

B6. CORPORATE PROPOSALS

i) **PROPOSED DISPOSAL, PROPOSED CAPITAL REDUCTION AND PROPOSED DIVERSIFICATION**

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 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.

On 2 May 2019, the Company announced that it had entered into the Disposal SSA with GIL for the 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**").

On 18 June 2020, the Company announced that:-

- a) it had entered into a supplemental share sale agreement with GIL ("**Supplemental Disposal SSA**") to vary and amend certain arrangement, terms and conditions of the Disposal SSA;
- b) it proposes to diversify the existing core business of the Group to include mobile and digital solutions businesses ("**Proposed Diversification**"); and
- c) the Board of Directors of the Company resolved not to proceed with the Proposed Share Consolidation in view of the recent upward adjustment on the trading price of ordinary shares of Sinotop upon the announcement on the TAS Shares Acquisition in April 2020.

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

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 ("**Acquisition SSA**").

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**

**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 Acquisition SSA.

**B7. BORROWINGS**

There was no outstanding borrowing as at 31 March 2020.

**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 March 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

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"). The Company is required to meet the Public Spread Requirements by 29 April 2020.

On 21 May 2020, the Company announced that upon allotment of the 38,461,538 new Sinotop Shares pursuant to the TAS Shares Acquisition on 20 May 2020, and based on the Record of Depositors of the Company as at 20 May 2020, the public shareholding spread of the Company was 27.72%, which is in compliance with the Public Spread Requirements.

**B12. EARNINGS /(LOSS) PER SHARE**

	Current Financial Year ( <i>Third Quarter</i> ) Ended 31/3/2020 RM'000 Unaudited	Preceding Financial Year Ended 30/6/2019 RM'000 Audited
<b>a) Basic loss per share</b>		
<b>(i) Continuing operations</b>		
Net loss attributable to equity holders of the Company	(297)	(1,097)
Weighted average number of ordinary shares ('000)	394,899	394,899
Basic loss per share (sen)	(0.08)	(0.28)
<b>(ii) Discontinued operations</b>		
Net profit/(loss) attributable to equity holders of the Company	6,142	(72,770)
Weighted average number of ordinary shares ('000)	394,899	394,899
Basic earnings/(loss) per share (sen)	1.56	(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.

