

SINOTOP HOLDINGS BERHAD (“SINOTOP” OR THE “COMPANY”)

EXECUTION OF HEADS OF AGREEMENT BETWEEN SINOTOP AND EN. SABRI BIN AB RAHMAN

1. INTRODUCTION

The board of directors of Sinotop (“**Board**”) wishes to announce that the Company had on 6 March 2020 entered into a heads of agreement (“**HOA**”) with En. Sabri Bin Ab Rahman (“**SAR**”) to exclusively explore and negotiate further on the following proposals:

- (a) Proposed acquisition of 30% equity interest in Television Airtime Services Sdn Bhd (“**TAS**”) by Sinotop from SAR and/or such other shareholder(s) in TAS to be procured by SAR (“**Vendors**”), comprising a total of 3,450,000 ordinary shares in TAS (“**TAS Shares**”) for a total consideration of RM7.0 million to be satisfied in following manners (“**Proposed Shares Acquisition**”):
 - (i) RM5.0 million via the issuance of 38,461,538 new ordinary shares in Sinotop (“**Sinotop Shares**”) at an issue price of RM0.13 per Sinotop Share to the Vendors and/or their nominee(s);
 - (ii) RM2.0 million in cash; and
- (b) Proposed subscription by Sinotop and SAR of 5,985,000 and 1,015,000 new TAS Shares at RM1.00 per TAS Share, for a total subscription amount of RM5,985,000 and RM1,015,000 respectively which will increase the shareholding of Sinotop to 51% and SAR to 49% (“**Proposed Shares Subscription**”).

(Collectively, referred to as the “**Proposed Transaction**”)

The Proposed Transaction is in line with the corporate objective and plan of the Company to strengthen the financial performance by providing a new revenue and income stream to the Company and its subsidiaries.

For avoidance of doubt, the HOA will be subject to the signing of definitive agreement(s) to be entered into between the Company and the Vendors (“**Definitive Agreement**”) on a later date.

2. INFORMATION ON TAS

TAS was incorporated in Malaysia as a private limited company on 17 November 1992. It is an investment holding company previously engaged in the provision of production facilities and management services, producers, distributors and dealers in video shows, drama and cinematographic pictures and provision of corporate management services.

TAS currently own 20% equity interest in an associate company, namely Dapat Vista (M) Sdn Bhd (“**DVSB**”), with the remaining 80% equity interest held by HeiTech Padu Berhad (“**HTP**”). DVSB was incorporated in Malaysia as a private limited company on 20 March 2000. The principal activities of DVSB are data analytics and software development, including to enable and facilitate e-government for the government of Malaysia. Driven by TAS, DVSB has secured a build/operate/own (“**BOO**”) perpetual right to assess key government agencies via a BOO contract with Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) via an open tender to access and develop small application and connection services to 370 government agencies and departments. DVSB has 15-year track records and has in August 2019, launched “**MyPay 2.0**”, its super application as its improved new product. MyPay has recently secured projects with Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) and the Court via “e-Jamin”.

On 10 December 2019, TAS and HTP entered into a sale and purchase agreement for the disposal by HTP of 60% equity interest in DVSB to TAS for a total consideration of RM13.5 million, together with the settlement of outstanding amount by TAS to HTP amounting to RM4.0 million (“**TAS-HTP SPA**”) (“**Proposed Share Transaction Between TAS and HTP**”). The deposit of RM1.35 million has been paid by TAS and the balance payment for the consideration is in various tranches over 5 years.

For information, based on the TAS-HTP SPA and as agreed between TAS and HTP, upon the payment for the initial tranche on 29 May 2020, 36% of the share capital of DVSB shall be transferred by HTP to TAS. Pursuant thereto, TAS will own a collective of 56% of the share capital of DVSB. The balance 24% shares of DVSB shall be transferred by HTP to TAS in proportionate amounts upon payment of each balance tranche by TAS in accordance to the terms of the TAS-HTP SPA. Upon full completion of the Proposed Share Transaction Between TAS and HTP, TAS shall own a collective of 80% equity interest in DVSB.

3. THE CONSIDERATION

The aggregate consideration for the Proposed Transaction of approximately RM13.0 million by Sinotop for a total 51% of the enlarged share capital of TAS post the Proposed Transaction was arrived at on a willing buyer-willing seller basis after taking into consideration the following:

- (i) the profit guarantee to be provided by SAR in respect of the actual aggregate audited profit after tax of DVSB for the financial years ending 31 December 2020, 2021 and 2022 which shall collectively be not less than an aggregate amount of RM9.0 million, excluding all extraordinary items; and
- (ii) the prospect of the business of DVSB and MyPay, involving in the mobile technology segment which the industry is growing and evolving at an overwhelming pace around the world.

The issue price of RM0.13 per Sinotop Share for the Proposed Shares Acquisition represents a premium of approximately 17% to the 5-day volume weighted average market price of Sinotop Shares up to and including 5 March 2020 of RM0.1111.

The total cash consideration of approximately RM8.0 million by Sinotop for the Proposed Transaction is envisaged to be funded by the Company vide internally generated funds and/or proceeds to be raised from the proposed disposal exercise as announced by the Company on 2 May 2019.

Upon the execution of the HOA, the Company has paid a refundable deposit of RM1.0 million ("**Deposit**") to the stakeholder nominated by TAS ("**Stakeholder**") in relation to the Proposed Transaction. The Deposit shall be placed in interests bearing deposit account by the Stakeholder of which any interest accrued thereon shall belong to Sinotop. In the event that the Parties do not enter into the Definitive Agreement, the Deposit together with all interests accrued thereon shall be fully returned to the Purchaser within 3 days from the Expiry Date (as defined herein).

Further, in consideration of the execution of the HOA, the Company has undertaken to provide a corporate guarantee to TAS and/or HTP (where applicable) for the payment of the Proposed Share Transaction Between TAS and HTP ("**Corporate Guarantee**"), which the Corporate Guarantee shall be translated to the Company's full payment for the Proposed Transaction subject to the Company's satisfaction of the results of a due diligence review to be conducted by the Company and its appointed advisers on TAS and DVSB and finalisation of the terms and conditions on the Proposed Transaction to be mutually agreed between the parties.

4. **APPROVALS AND CONDITIONS PRECEDENT**

The Proposed Transaction is subject to *inter alia* the following conditions precedent being obtained/fulfilled:

- (i) Sinotop being satisfied with the results of the due diligence review to be carried out on TAS and DVSB;
- (ii) the approval of the Board;
- (iii) the signing of the Definitive Agreement;
- (iv) the parties to procure the required bank borrowing financing (where required);
- (v) the approval or consent of the financiers/creditors of TAS and DVSB, where required;
- (vi) any other approvals, waivers or consents of any authorities and/or parties as may be required by law or regulation or deemed necessary by the parties; and
- (vii) such other conditions precedent identified and agreed upon by the parties to be stipulated in the Definitive Agreement.

The Proposed Shares Acquisition and the Proposed Shares Subscription shall be inter-conditional upon each other.

5. DURATION OF THE HOA AND EXCLUSIVITY

The Company and SAR shall within 60 days following the date of the HOA, with an automatic extension of 30 days, or such further extended date as the Company and SAR may mutually agree upon ("**Expiry Date**") enter into the Definitive Agreement in respect of the Proposed Transaction. The Company and SAR agree, covenant and undertake that they will not, and will ensure that their related parties will not, directly or indirectly, initiate, solicit or entertain any discussion, negotiation, agreement or arrangement or otherwise deal in any way with any other person other than the other party in connection with the Proposed Transaction or the Definitive Agreement at any time prior to the Expiry Date.

A detailed announcement on the Proposed Transaction will be made upon finalisation of the terms and conditions of the Definitive Agreement.

Astramina Advisory Sdn Bhd is the appointed Financial Advisor for Sinotop in relation to the Proposed Transaction.

This announcement is dated **6 March 2020**.