

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

DISPOSAL OF 100% EQUITY INTEREST IN GORGEOUS GOLDHILL SDN BHD (“GGSB”), A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

1. INTRODUCTION

The Board of Directors of Sinotop (“**Board**”) wishes to announce that the Company (or the “**Vendor**”) had on 28 August 2020 entered into a share sale agreement (“**SSA**”) with Dato’ Soo Sze Ching (“**DJ**” or the “**Purchaser**”), for the disposal by the Company of the entire equity interest held in GGSB comprising 750,000 ordinary shares in GGSB (“**Sale Shares**”) to the Purchaser for a cash consideration of RM130,000 (“**Disposal Consideration**”) (“**Disposal**”).

(The Vendor and Purchaser are collectively referred to as the “**Parties**”).

The Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) by virtue of DJ, being the Purchaser, was the Executive Director and major shareholder of the Company within the preceding six (6) months of the date on which the terms of the Disposal were agreed upon pursuant to Paragraphs 10.02(c) and 10.02(f) of the Listing Requirements.

2. DETAILS OF THE DISPOSAL

2.1 Information on GGSB

GGSB was incorporated as a private limited company in Malaysia on 1 August 2016 under the Companies Act 1965 (and deemed registered with the Companies Act 2016) with an issued share capital of RM750,000 comprising 750,000 ordinary shares as at the date of this announcement. GGSB is principally engaged in the provision of project management services and infrastructure construction business.

Based on the audited financial statements of GGSB for the financial year ended (“**FYE**”) 30 June 2019 (“**GGSB Audited Accounts**”), the net profits of GGSB was RM0.27 million and its net assets as at 30 June 2019 amounted to RM1.69 million.

2.2 Information on the Purchaser

DJ, a Malaysian aged 44, was the Executive Director and major shareholder of Sinotop. He ceased to be the major shareholder of the Company on 22 May 2020 and resigned from the Board on 9 June 2020.

2.3 Salient terms of the SSA

(i) Sale and purchase of the Sale Shares

Subject to the terms and conditions of the SSA, the Vendor shall sell and transfer, and the Purchaser shall purchase the Sale Shares free from all and any encumbrances and together with all rights, benefits, title to, interest in and entitlements attaching thereto as at the date of completion of the sale and purchase of the Sale Shares (“**Completion**”) for the Disposal Consideration.

(ii) Payment of the Disposal Consideration

The Disposal Consideration shall be paid on Completion in cash by the Purchaser to the Vendor.

(iii) Completion date

The date falling on the 7th business day after the date of the SSA or such other date as may be agreed between the Parties in writing ("**Completion Date**").

(iv) Waiver of debt

Pursuant to the GGSB Audited Accounts, the Purchaser acknowledges that there is a debt of RM740,000 owing by the Vendor to GGSB. On or after Completion, the Purchaser agrees to procure GGSB to issue a debt waiver letter to the Vendor waiving the RM740,000 debt owing by the Vendor to GGSB ("**Waiver of Debt**").

2.4 Basis of arriving at the Disposal Consideration

The Disposal Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the outstanding order book of GGSB as at 30 June 2020 of about RM879,000, of which the estimated gross profit to be recognized is approximately RM20,000 only. GGSB is also expected to incur loss in the near future due to operational cost as it is not expected to secure any new projects.

2.5 Utilisation of proceeds from the Disposal

The proceeds arising from the Disposal shall be utilised for working capital of Sinotop and its subsidiaries ("**Sinotop Group**" or the "**Group**") within three (3) months from the Completion Date.

2.6 Date and original cost of investment by Sinotop in GGSB

The dates and original costs of investment by Sinotop in GGSB are set out as follows:

Date of investment	Cost of investment (RM)
19 August 2016	2
30 August 2016	9,998
3 March 2017	740,000
Total	750,000

2.7 Liabilities to be assumed

There is no liability to be assumed, including any contingent liability and guarantee to be assumed, by Sinotop Group pursuant to the Disposal.

3. RATIONALES

The diversification of business activities by Sinotop into project management and infrastructure construction business in 2016 was intended to improve the financial performance of the Group. However, GGSB was unable to generate new order book and additional income for the Group in FYE 2020.

Further, following the cessation and resignation of DJ as the major shareholder and Executive Director of Sinotop on 22 May 2020 and 9 June 2020 respectively, the Group is lacking of key personnel who is capable to helm the project management and infrastructure construction business housed under GGSB. Hence, GGSB is expected to face difficulties in procuring new contracts that would help the Group to generate profits and positive cash flows.

In view of the above and current weak market conditions, coupled with the impact of coronavirus disease (COVID-19) outbreak, the Board is of the view that it is in the best interest of the Company to dispose of the entire equity interest in GGSB to partially recover the Company's cost of investment in GGSB whilst enables Sinotop Group to focus its resources on the remaining business including the new investment in the mobile and digital solutions businesses which has better potential and prospect in order to strengthen the level of operations and improve the financial performance of the Group. On 21 August 2020, the Company's shareholders had approved the diversification of the existing core business of the Group to include mobile and digital solutions businesses.

4. RISK FACTORS

The Board is not aware of any risks arising from the Disposal.

5. EFFECTS OF THE DISPOSAL

The Disposal will not have any effect on the share capital and the substantial shareholders' shareholding of Sinotop. The Disposal will not have any material effect on the gearing of the Group.

Pursuant to the Disposal Consideration and the Waiver of Debt, Sinotop expects to realise an estimated net gain of RM120,000 and a net loss of approximately RM820,000 at the Company level and Group level respectively from the Disposal, based on audited financial statements for the FYE 30 June 2019.

The estimated net loss of RM820,000 at the Group level represents a decrease in the earnings per share and net assets per share of the Group of approximately 0.19 sen for the financial year ending 30 June 2021, based on the current issued share capital of the Company of 433,360,812 ordinary shares as at the date of this announcement.

6. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE DISPOSAL

The highest percentage ratio applicable to the Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is 14.48%, based on the audited total assets of GGSB as at 30 June 2019 compared to the audited total assets of Sinotop Group as at 30 June 2019.

Pursuant to Paragraph 10.08(2) of the Listing Requirements, where any one of the percentage ratios of a related party transaction is 5% or more, a listed issuer must:

- (a) announce the related party transaction to Bursa Securities as soon as possible after terms of the transaction have been agreed;
- (b) send a circular to the shareholders;
- (c) obtain its shareholder approval of the transaction in general meeting; and
- (d) appoint an independent adviser before the terms of the transaction are agreed upon.

Further, pursuant to Paragraph 10.08(10) of the Listing Requirements, Paragraph 10.08(2) of the Listing Requirements do not apply to a related party transaction where the value of the consideration of the transaction is less than RM500,000.

Given that the Disposal Consideration is less than RM500,000, the requirements under Paragraph 10.08(2) of the Listing Requirements are not applicable to the Disposal. Notwithstanding, the Board is making this announcement on a voluntary basis for information.

7. APPROVALS REQUIRED ON THE DISPOSAL

The Disposal is not subject to the approval of the shareholders of Sinotop or any governmental authorities.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the directors and/or major shareholders of the Company and/or any persons connected to them have any interest, direct and/or indirect, in the Disposal.

9. TRANSACTIONS WITH THE RELATED PARTY FOR THE PRECEDING 12 MONTHS

There were no other transactions entered into between the Group and DJ and/or persons connected to him for the preceding 12 months.

10. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company, having considered all aspects of the Disposal and after careful deliberation, is of the opinion that the Disposal is:

- (i) in the best interest of the Group;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

11. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Disposal and after careful deliberation, is of the opinion that the Disposal is:

- (i) in the best interest of the Group;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

12. ESTIMATED TIME FRAME FOR COMPLETION

The Parties had via a letter dated 28 August 2020, mutually agreed that the Completion Date shall be on 1 September 2020.

13. DOCUMENTS FOR INSPECTION

A copy of the SSA will be made available for inspection at the registered office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, from 9.00 a.m. to 5.00 p.m. from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 28 August 2020.