SINOTOP HOLDINGS BERHAD ("SINOTOP" OR THE "COMPANY")

(I) PROPOSED DISPOSAL;
(II) PROPOSED CAPITAL REDUCTION; AND
(III) PROPOSED DIVERSIFICATION

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

We refer to the announcements made on 12 December 2018, 2 May 2019 and 8 May 2019 in relation to the Proposed Disposal, Proposed Capital Reduction and Proposed Share Consolidation ("**Announcements**"). For purposes of consistency, the definitions and terms used in the Announcements will be used in this announcement unless otherwise define herein.

1. INTRODUCTION

On 2 May 2019, on behalf of the Board, IPS and Astramina had announced that Sinotop had on 2 May 2019 entered into a conditional share sale agreement ("**Disposal SSA**") with GIL in relation to the proposed disposal by Sinotop of its wholly-owned subsidiary, namely Be Top, at the total cash consideration of RM70.00 million ("**Disposal Consideration**") ("**Proposed Disposal**") pursuant to the Open Tender.

On 23 April 2020, the Board of Sinotop had announced that the Company had entered into a conditional share sale agreement ("**TAS SSA**") with En. Sabri Bin Ab 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 ("**New Investment 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 which was completed on 22 May 2020. 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 ("**TAS-HTP Transaction**"). Pursuant thereto, TAS is deemed to have a total legal and/or beneficial interest for 56% equity interest in DVSB.

On behalf of the Board, IPS and Astramina wish to announce that the Board had on 18 June 2020 resolved to:

(i) proceed with the following Proposals:
   a) Proposed Disposal;
   b) Proposed Capital Reduction; and
   c) Proposed diversification of the existing core business of Sinotop Group to include mobile and digital solutions businesses following the completion of the New Investment in TAS on 22 May 2020; and

(ii) not to proceed with the Proposed Share Consolidation as earlier announced on 2 May 2019 in view of the recent upward adjustment on the trading price of Sinotop Shares upon the announcement on the TAS Shares Acquisition in April 2020. The last transacted market price for Sinotop Shares on 30 April 2019, being the last market day prior to the announcement on the Proposed Share Consolidation on 2 May 2019, was RM0.30. However, the Sinotop Shares was last traded at RM0.57 as at 17 June 2020, being the market day preceding 18 June 2020, with a 5-day VWAP up to and including 17 June 2020 of RM0.6133, representing premium of approximately 90% and 104.43% to the last transacted market price for Sinotop Shares on 30 April 2019.

On behalf of the Board, IPS and Astramina also wish to announce that the Company had on 18 June 2020 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.

The details on the Proposed Disposal and Proposed Capital Reduction have been announced on 2 May 2019.

The details of the Supplemental Disposal SSA, updates on the Proposed Disposal based on the latest audited consolidated financial statements of Sinotop for the FYE 30 June 2019 and details of the Proposed Diversification are set out in the ensuing sections of this announcement.

2. UPDATES ON THE PROPOSED DISPOSAL AND DETAILS OF THE PROPOSED DIVERSIFICATION

2.1 Updates on the Proposed Disposal

Based on the audited consolidated financial statements of Sinotop for the FYE 30 June 2018 and FYE 30 June 2019, the revenue contribution from the Foreign Assets was approximately 95% and 87%, respectively. Therefore, the Proposed Disposal is deemed a major disposal pursuant to Paragraph 10.11A of the Listing Requirements.

As the Proposed Disposal is deemed a major disposal pursuant to Paragraph 10.11A of the Listing Requirements, the Company has appointed AER as the Independent Adviser on 28 November 2018 to advise the shareholders of Sinotop whether the Proposed Disposal is fair and reasonable insofar as the shareholders are concerned and whether they should vote in favour of the Proposed Disposal.

In addition to the above, following execution of the Disposal SSA, the Proposed Disposal is also a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements, as the Interested Directors, namely, Mr. Pan Ding and Mr. Pan Dong who are the Executive Directors of Sinotop are also the Directors of GIL, and Mr. Pan Ding being the sole shareholder of GIL is also a major shareholder of Sinotop through his shareholding interest in GIL. Accordingly, AER as the Independent Adviser will also advise the non-interested Directors and non-interested shareholders of the Company as to whether the Proposed Disposal is fair and reasonable insofar as the non-interested shareholders are concerned and whether the Proposed Disposal is not detrimental to the non-interested shareholders.

The Disposal Consideration of RM70.00 million is inclusive of the assumption of liabilities owing by Sinotop to Be Top Group and is to be satisfied in the following manner:

	RM'000
Amount owing by Sinotop to Be Top[(i)]	20,944
Amount owing by Sinotop to Top Textile[(i)]	15,540
Cash payment[(ii)]	33,516
Total	**70,000**

Notes:

*(i) Amounts owing by Sinotop to Be Top and Top Textile as at 30 June 2018, which shall be assumed by GIL pursuant to the Proposed Disposal and which shall be subject to further adjustments based on the amounts owing by Sinotop to Be Top and/or Top Textile in accordance with the Supplemental Disposal SSA ("**Assumed Liabilities**"). For information purposes, the Assumed Liabilities as at 31 March 2020 is approximately RM36.64 million.*

*(ii) The binding bond of RM3.00 million received by Sinotop on 31 January 2019 pursuant to the submission of the Binding Offer by GIL forms part of the cash payment. The balance cash payment of approximately RM30.52 million (after deduction of the RM3.00 million and is subject to adjustments in accordance with the Supplemental Disposal SSA) shall be paid by GIL to Sinotop in the manner as set out in Section 2.1.1 below of this announcement ("**Balance Cash Payment**").*

GIL has confirmed that they have sufficient financial means and resources to pay for the Balance Cash Payment and IPS together with Astramina have verified the same.

2.1.1 Salient terms of the Supplemental Disposal SSA

(a)	**Revision of Conditions**	The Parties have agreed to remove for the procurement of the execution of an Escrow Agreement to be entered by the Escrow Agent, Company and GIL and replaced it with a new condition which is the procurement of an approval from Bursa Securities by the Company in relation to a waiver application from classifying the Company as an affected listed issuer pursuant to Paragraph 8.03A of the Listing Requirements.
(b)	**Revision on the Balance Consideration**	The balance consideration of RM67,000,000.00 being the sum of the disposal consideration of RM70,000,000.00 less the bidding bond of RM3,000,000.00 ("**Balance Consideration**"), shall be satisfied in the following manner:-

		(i) Upon obtaining the shareholders' approval of Sinotop, a sum of RM12,000,000.00 shall be paid by GIL to Sinotop ("**First Cash Payment**") within 30 days from the date of such approval or such other date that is mutually agreed by the Parties; (ii) a sum of RM18,515,497.06 (subject to any adjustments that may need to be made on the date for Tranche 2 Sale Shares (as defined below) being transferred) ("**Second Cash Payment**") shall be paid by GIL to Sinotop no later than 60 days from the date the First Cash Payment is paid or such other date that is mutually agreed by the parties; (iii) Upon the satisfaction of the remaining Conditions, the amounts owing by the Company to Be Top and Top Textile respectively, as at 30 June 2018, which shall be subject to adjustment on the Tranche 2 Completion Date ("**Assumed Liabilities**") shall be transferred to the Buyer by the Seller no later than 12 months from the date of the Supplemental Disposal SSA("**Cut-Off Date**").
(c)	**<u>Revision on Completion</u>**	Completion of the Disposal SSA shall now be in the following manner:- (i) Tranche 1 Completion The Tranche 1 completion shall take place at the designated address, where the Company shall subject to terms set in the Disposal SSA , deliver to GIL: (1) for cancellation, the original share certificates in respect of 43 ordinary shares with par value of USD1.00 each in Be Top ("**Tranche 1 Sale Shares**"); (2) the board resolution of Be Top approving the transfer of the Tranche 1 Sale Shares to the Buyer or its nominee, the updating of the Register of Members of Be Top to reflect GIL as the holder of the Tranche 1 Sale Shares following Tranche 1 Completion and the issue of a share certificate to GIL; (3) a duly completed, signed and undated instrument of transfer of the Tranche 1 Sale Shares in favour of GIL; (4) confirmation that the "client on record" of Be Top has instructed the registered agent of Be Top to take instructions from the GIL (or as it may direct) on the date of the First Cash Payment; and (5) such waivers, consents, notification or other documents as may be required as part of the conditions to give good title to the Tranche 1 Sale Shares and to enable GIL to become the registered holder and beneficial owner of the Tranche 1 Sale Shares. Subject to GIL's satisfactory receipt of the documents set out in Section 2.1.1(c)(i) of this announcement above, the GIL shall cause the First Cash Payment to be paid by GIL to Sinotop within 30 days from the date of the resolution of the shareholders of Sinotop, approving the Proposed Disposal pursuant to the terms of the Disposal SSA, a copy of which is certified by the company secretary of Sinotop to be delivered to GIL or such other date that is mutually

agreed by the Parties via a mode of payment to be determined and agreed upon by GIL and Sinotop before the Tranche 1 Completion Date.

(ii) Tranche 2 Completion

Subject to the satisfaction of Tranche 1 Completion, the Tranche 2 completion shall take place at the designated address, where the Company shall subject to terms set in the Disposal SSA deliver to GIL:

(1) for cancellation, the original share certificates in respect of 53 ordinary shares with par value of USD1.00 each in Be Top ("**Tranche 2 Sale Shares**");

(2) the board resolution of Be Top approving the transfer of the Tranche 2 Sale Shares to GIL or its nominee, the updating of the Register of Members of Be Top to reflect GIL as the holder of the Tranche 2 Sale Shares following Tranche 2 Completion and the issue of a share certificate to GIL;

(3) a duly completed, signed and undated instrument of transfer of the Tranche 2 Sale Shares in favour of GIL;

(4) confirmation that the "client on record" of Be Top has instructed the registered agent of Be Top to take instructions from GIL (or as it may direct) on and from the date of Tranche 2 Completion; and

(5) such waivers, consents, notification or other documents as may be required as part of the conditions to give good title to the Tranche 2 Sale Shares and to enable GIL to become the registered holder and beneficial owner of the Tranche 2 Sale Shares.

Subject to GIL's satisfactory receipt of the documents set out Section 2.1.1(c)(ii) of this announcement above, Sinotop shall cause the Second Cash Payment to be paid by the GIL to Sinotop no later than 60 days from the date of the First Cash Payment is paid or such other date that is mutually agreed by the Parties via a mode of payment to be determined and agreed upon by GIL and Sinotop before the Tranche 2 Completion Date

(iii) Tranche 3 Completion

Subject to the satisfaction of Tranche 2 Completion, the Tranche 3 completion shall take place at the designated address, where the Company shall subject to terms set in the Disposal SSA deliver to GIL:

(1) for cancellation, the original share certificates in respect of 104 ordinary shares with par value of USD1.00 each in Be Top ("**Tranche 3 Sale Shares**");

(2) the board resolution of Be Top approving the transfer of the Tranche 3 Sale Shares to GIL or its nominee, the updating of the Register of Members of Be Top to reflect GIL as the holder of the Tranche 3 Sale Shares following

		Tranche 3 Completion and the issue of a share certificate to GIL; (3) a duly completed, signed and undated instrument of transfer of the Tranche 3 Sale Shares in favour of GIL; (4) confirmation that the "client on record" of Be Top has instructed the registered agent of Be Top to take instructions from GIL (or as it may direct) on and from the date of Tranche 3 Completion; (5) the entry into agreements or documents to assign/novate the Assumed Liabilities to GIL by the Company or the release and discharge by Be Top or Top Textile of the Company from the Assumed Liabilities; and (6) such waivers, consents, notification or other documents as may be required as part of the conditions to give good title to the Tranche 3 Sale Shares and to enable GIL to become the registered holder and beneficial owner of the Tranche 3 Sale Shares. Subject to GIL's satisfactory receipt of the documents set out in Section 2.1.1(c)(iii) of this announcement above, the Assumed Liabilities shall be transferred to GIL on the Tranche 3 Completion Date.
(d)	**Revision on Termination Clauses**	Without prejudice to the parties' rights under the general or common law including (without limitation) the parties' rights of claim for any damages, costs, disbursements, stamp duties, interest and other charges and payments (whether actual contingent or otherwise) payable by the parties under or in connection with this Disposal SSA, the parties may (but shall not be obliged to) at any time prior to completion of the Proposed Disposal by notice to the other party terminate the Disposal SSA if: (i) all the Conditions (to the extent not waived) are not satisfied by the date which shall not be later than the Cut-Off Date or such other date as the parties may agree to in writing or any of them cease to be satisfied at any time before Tranche 1 Completion, Tranche 2 Completion or Tranche 3 Completion or any of the resolutions or approvals referred to in the Disposal SSA are rejected, refused or approved on terms not acceptable to GIL; or (ii) GIL or Sinotop breaches all or any of the provisions of the Disposal SSA or any of the warranties contained in the Disposal SSA and (if the breach is capable of being remedied) the defaulting party fails to remedy the breach within ten (10) business days, following the issuance of the notice by the non-defaulting party to the defaulting party; or (iii) GIL or Sinotop becomes insolvent; or (iv) (a) Sinotop does not complete the transfer of all or any of the Tranche 1 Sale Shares in accordance with Section 2.1.1(c)(i) of this announcement above; or

(b) the Buyer does not complete the settlement of the First Cash Payment in favour of the Seller in accordance to Section 2.1.1(b)(i) of this announcement above;

(c) the Seller does not complete the transfer of all or any of the Tranche 2 Sale Shares in accordance with Section 2.1.1(c)(ii) of this announcement above.

(d) the Buyer does not complete the settlement of the Second Cash Payment in favour of the Seller in accordance to Section 2.1.1(b)(ii) of this announcement above; or

(e) the Seller does not complete the transfer of all or any of the Tranche 3 Sale Shares in accordance with Section 2.1.1(c)(iii) of this announcement above;

(v) if it appears that any of the warranties contained in the Disposal SSA is or has become inaccurate or misleading, and on such notice being given, the provisions of set in the Disposal SSA in relation to termination consequences shall apply;

(1) if the Disposal SSA is terminated in accordance with Section 2.1.1(c)(i) of this announcement above, all obligations and liabilities of the parties hereunder shall cease and determine and thereafter no party shall have any claim against the other save for any antecedent breaches of the Disposal SSA;

(2) if the Disposal is terminated in accordance with Section 2.1.1 (d)(ii), Section 2.1.1 (d)(iii) or Section 2.1.1 (d)(v) of this announcement above or otherwise on any other lawful ground, the termination shall be without prejudice to any rights under or in relation to the Disposal SSA which may have accrued to a party against another;

(3) without prejudice to Section 2.1.1 (d)(v)(2) of this announcement above and in addition to the provisions above, if GIL or Sinotop should breach any of the provisions of the Disposal under Section 2.1.1 (d)(ii) of this announcement above, the non-defaulting party to the Disposal SSA shall be entitled to seek specific performance set under the Disposal SSA;

(4) If Sinotop does not complete the transfer of all or any of the Tranche 1 Sale Shares in accordance with Section 2.1.1 (c) (i) of this announcement above, the Parties agree that Sinotop will be entitled to refund the Bidding Bond to GIL and pay an additional sum equivalent to the Bidding Bond as agreed liquidated damages to GIL. On such refund and payment, neither parties shall have any further claim against each other and all obligations

		under the Disposal SSA shall cease and the Disposal SSA determines. (5) If GIL fails to pay the First Cash Payment to Sinotop on the Tranche 1 Completion Date, the Bidding Bond paid by GIL to Sinotop shall be forfeited by Sinotop and GIL shall pay an additional sum equivalent to the Bidding Bond as agreed liquidated damages to Sinotop. Upon and subject to such forfeiture and payment, neither parties shall have any further claim against each other and all obligations under the Disposal SSA shall cease and the Disposal SSA determines. (6) If Sinotop does not complete the transfer of all or any of the Tranche 2 Sale Shares in accordance with Section 2.1.1 (c) (ii) of this announcement, the Parties agree that GIL, in case of non-compliance by Sinotop, shall be entitled to seek for specific performance of this Agreement. (7) If GIL fails to pay the Second Cash Payment to Sinotop on the Tranche 2 Completion Date, the Parties agree that Sinotop, in case of non-compliance by GIL, shall be entitled to seek for specific performance of this Agreement. (8) If Sinotop does not complete the transfer of all or any of the Tranche 3 Sale Shares in accordance with Section 2.1.1 (c) (iii) of this announcement, the Parties agree that GIL, in case of non-compliance by Sinotop, shall be entitled to seek for specific performance of this Agreement.

2.1.2 Original cost of investment by Sinotop in Be Top

Based on the latest audited financial statements of Sinotop as at 30 June 2019, the net investment in Be Top by Sinotop had been classified as "**assets classified as held for sale**" as follows:

	RM'000
Cost of investment[(i)]	328,125
Quasi loan[(ii)]	57,000
	385,125
Accumulated impairment losses[(iii)]	(315,125)
Net investment in Be Top / Assets classified as held for sale	70,000

Notes:

(i) The original cost of investment by Sinotop in Be Top in year 2010 i.e. consideration for acquisition of the entire equity interest in Be Top of approximately RM328.13 million was arrived at after taking into consideration, inter alia, the earnings potential of Be Top and the profit guarantees of Be Top for the FYE 31 December 2009 and 2010 from the vendors as disclosed in the circular to shareholders of the Company dated 21 December 2009.

On 3 August 2010, the acquisition of Be Top by Sinotop was completed and consideration had been satisfied via the issuance by the Company of 780,281,000 new Sinotop Shares of RM0.20 each, RM172,068,800 nominal value convertible bonds A and RM65,104,168 nominal value convertible bonds B. The RM172,068,800 nominal value convertible bonds A had subsequently been fully converted into 860,344,000 new Sinotop Shares of RM0.20 each, while the RM65,104,168 nominal value convertible bonds B were cancelled and extinguished in full.

(ii) *As disclosed in the Annual Report 2011 of Sinotop, the Board had decided to treat the amount owing by Be Top of RM57.00 million as a quasi-loan. The quasi loan represents advances from Sinotop to Be Top of which the settlement is neither planned nor likely to occur in the foreseeable future. This amount, was in substance, a part of the Company's net investment in Be Top. The quasi loan was stated at cost less accumulated impairment losses, if any.*

The quasi loan was structured to be an equity instrument in Sinotop and was considered as part of the Company's net investment in Be Top (which had been recognised as part of the investment in Be Top in the audited financial statements of Sinotop since the FYE 31 December 2011) instead of a receivable (financial asset). It also enabled Be Top to treat this amount as capital contribution from Sinotop rather than a financial liability. Accordingly, this amount was subject to impairment when the recoverable amount was lower than the corresponding carrying amount.

(iii) *Comprise of impairment losses recognised in the FYE 31 December 2011 and FYE 30 June 2019 of RM229.65 million and RM85.48 million respectively.*

*Pursuant to the salient conditions precedent of the sale and purchase agreement dated 9 September 2009 ("**SPA 2009**"), the vendors of Be Top Group had provided unconditional and irrevocable profit guarantee that the audited consolidated profit after tax ("**PAT**") of Be Top Group for the FYE 31 December 2009 and 2010 shall not be less than RMB100.00 million and RMB125.00 million respectively ("**Be Top Group Guaranteed Profit**"). However, the audited consolidated PAT of Be Top Group for the FYE 31 December 2009 and 2010 only achieved RMB100.37 million and RMB78.16 million.*

Pursuant to the SPA 2009, as the Be Top Group Guaranteed Profit for FYE 31 December 2010 is less than RMB110.0 million, hence the redeemable zero-coupon unsecured convertible bonds "B" at nominal value of RM65,104,168 which are convertible into 151,405,041 new Sinotop Shares at a conversion price of RM0.43 per convertible bond B have been cancelled and extinguished in full immediately.

*The financial performance of Be Top Group for the FYE 31 December 2011 had dropped significantly with audited consolidated PAT of RMB17.20 million. Consequently, an impairment loss on investment in Be Top of RM229.65 million was recognised by Sinotop in the FYE 31 December 2011 in accordance with the Malaysian Financial Reporting Standards ("**MFRS**") 136.*

Further, as disclosed in the Annual Report 2019 of the Company, the Board has assessed the recoverable amount of the investment in Be Top and determined that an impairment loss should be recognised for Be Top as the Board has approved a plan to dispose Be Top and executed the Disposal SSA pursuant to MFRS 5. A total impairment loss of RM85.48 million, representing the write-down of the investments to the recoverable amounts of Be Top was recognised in the statement of profit or loss and other comprehensive income of the Company in the FYE 30 June 2019.

2.1.3 Estimated loss to Sinotop

Upon completion of the Proposed Disposal, Sinotop expects to realise an estimated net loss arising from the Proposed Disposal of nil and approximately RM18.59 million at the Company level and Sinotop Group level respectively, based on the audited consolidated financial statements of Sinotop for the FYE 30 June 2019, which is computed as follows:

Company level

	RM'000
Disposal Consideration	70,000
Less: Asset classified as held for sale as at 30 June 2019	(70,000)
Estimated loss on disposal at the Company level	**-**

Sinotop Group level

	RM'000	RM'000
Disposal Consideration		70,000
Less: Assumed Liabilities[(i)]		(35,733)
		34,267
Less:		
(a) Assets classified as held for sale as at 30 June 2019[(ii)]	119,312	
(b) Liabilities classified as held for sale as at 30 June 2019[(iii)]	(10,420)	
Net assets		(108,892)
Estimated loss on disposal before adjustments		(74,625)
Reserves classified as held for sale as at 30 June 2019[(iv)]		40,338
Statutory reserve[(v)]		15,697
Estimated loss on disposal at Sinotop Group level		**(18,590)**

Notes:

(i) Based on the Assumed Liabilities as at 30 June 2019 for pro forma purposes which shall be subject to adjustment on the completion date as stated in the Supplemental Disposal SSA.

(ii) The breakdown on the assets classified as held for sale is based on the audited consolidated financial statements of Sinotop for the FYE 30 June 2019, which is computed as follows:

Current Assets	***RM'000***
Inventories	*11,305*
Trade receivables	*31,443*
Other receivables and deposits	*4,234*
Short-term investment	*56,614*
Fixed deposits with licensed banks	*1,085*
Cash and bank balances	*14,631*
Assets classified as held for sale	***119,312***

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(iii) *The breakdown on the liabilities classified as held for sale is based on the audited consolidated financial statements of Sinotop for the FYE 30 June 2019, which is computed as follows:*

Liabilities	***RM'000***
Trade payables	*2,682*
Other payables and accruals	*7,590*
Current tax liabilities	*148*
Liabilities classified as held for sale	***10,420***

(iv) *The reserve classified as held for sale solely comprise of foreign exchange translation reserve based on the audited consolidated financial statements of Sinotop for the FYE 30 June 2019.*

(v) *The statutory reserve represents amounts transferred from the PAT of the subsidiary established in the PRC in accordance with the PRC Laws and regulations and articles association of the subsidiary before declaration or payment of dividends. The statutory reserve form part of the equity of the Company and can be used to increase the registered capital and eliminate future losses of the subsidiary, but the statutory reserve cannot be distributed to shareholders except in the event of a solvent liquidation of the subsidiary, as explained in the audited consolidated financial statements of Sinotop for the FYE 30 June 2019.*

2.1.4 Utilisation of proceeds

The Assumed Liabilities does not involve physical cash payment by GIL. The cash payment from the Proposed Disposal of approximately RM33.52 million is expected to be utilised in the following manner:

	Notes	**RM'000**	**Estimated timeframe for utilisation of proceeds upon shareholders' approval on the Proposed Disposal**
TAS Shares Acquisition	(i)	2,000	Within 1 month
Future investment in the existing businesses of the Group	(ii)	20,000	Within 24 months
Working capital of the Group	(iii)	10,516	Within 24 months
Estimated expenses in relation to the Proposals and Waiver Application (as defined in Section 2.1.5 of this announcement)	(iv)	1,000	Within 9 months
Total proceeds		**33,516**	

Notes:

(i) *Cash consideration for the TAS Shares Acquisition.*

(ii) *The Board is proposing to utilise a portion of the proceeds for future investment in the mobile and digital solutions businesses as follows:*

(a) *enhance and strengthen the existing business of DVSB; and*

(b) *further investment to expand the mobile and digital solutions businesses of the Group through potential merger and/or acquisition exercises.*

(iii) *Intended to be utilised for Sinotop Group's working capital requirements which comprise payment to creditors and other operating expenses (i.e. staff costs, administrative overheads and office expenses). The proceeds to be utilised for each component of the working capital are subject to the operating requirements of Sinotop Group at the time of utilisation and therefore have not been determined at this juncture.*

(iv) *The estimated expenses for the Proposals and Waiver Application are inclusive of advisory and professional fees, fees payable to the relevant authorities, printing of circulars, advertisement, EGM expenses and other incidental expenses in relation to the Proposals. Any deviation in the actual amount of expenses for the Proposals will be adjusted proportionately to/from the amount allocated for the working capital of Sinotop Group.*

2.1.5 Listing status

The Proposed Disposal is deemed a major disposal pursuant to Paragraph 10.11A of the Listing Requirements. Sinotop will either trigger the criteria for a cash company under Paragraph 8.03(1) and PN 16 of the Listing Requirements or inadequate level of operations pursuant to Paragraph 8.03A of the Listing Requirements as a result of the Proposed Disposal.

The Board intends to maintain the listing status of Sinotop on the Main Market of Bursa Securities and will endeavour to take the necessary steps to maintain an adequate level of operations upon completion of the Proposed Disposal. The Board is also of the view that Sinotop will not trigger the criteria for inadequate level of operations pursuant to Paragraph 8.03A(5) of the Listing Requirements as a result of the Proposed Disposal after taking into consideration the following:

(a) Due to the deteriorating financial performance of Be Top Group, eroding profit margin and increasing competitive business environment in the PRC as well as various uncertainties arising from the trade-war between the United States of America and the PRC, the prospect of Be Top Group remains challenging which does not augur well for the future financial performance of Sinotop Group. Hence, the Board proposed to dispose the Foreign Assets via an open tender exercise which is an efficient and transparent manner for Sinotop to unlock its investments in the Foreign Assets by extracting the best available cash consideration from the market, thus enabling Sinotop to utilise the proceeds from the Proposed Disposal for its remaining construction business and New Investment in TAS are expected to be earnings-accretive for Sinotop;

(b) Upon completion of the Proposed Disposal, the Group will continue to focus on deriving its revenues and earnings from the mobile and digital solutions businesses;

(c) New Investment in TAS has significant growth potential and prospect to diversify the source of income of the Group and strengthen its financial performance; and

(d) Pursuant to the New Investment in TAS, TAS Vendor had provided a profit guarantee in respect of the aggregate audited PAT of DVSB for the financial years ending 31 December 2020, 2021 and 2022 of not less than a total sum of RM9.00 million excluding extraordinary items ("**DVSB Profit Guarantee**"). In the event of any shortfall in the DVSB Profit Guarantee, TAS Vendor undertakes to top-up the shortfall in cash.

In this respect, the Company will submit an application to Bursa Securities for a waiver for Sinotop from being classified as an "affected listed issuer" under Paragraph 8.03A of the Listing Requirements post the Proposed Disposal ("**Waiver Application**") on the basis that the Group still has an adequate level of operations, including the mobile and digital solutions businesses of TAS and DVSB after completion of the Proposed Disposal

2.2 Proposed Diversification

2.2.1 Details of the Proposed Diversification

As per the Annual Report 2019 of Sinotop, the production and sale of fabric products business in the PRC under Be Top Group has been classified as discontinued operations. Accordingly, the continuing operations of the Group comprise of the project management services and infrastructure construction business ("**Construction Business**") and investment holding company (i.e. the Company). In view of the slowdown in the Construction Business as well as the market condition of the construction industry, the Group is constantly looking for new business opportunities to diversify its income streams in order to reduce over-reliance on the Construction Business.

In this respect, the Company had identified an opportunity to diversify its business income into the mobile and digital solutions segment by investing in TAS and DVSB, to allow the Company to strengthen the level of operations and financial performance of the Group.

Following the completion of the New Investment in TAS on 22 May 2020 as well as taking into consideration the DVSB Profit Guarantee, the Board anticipates that the mobile and digital solutions businesses may in the future contribute 25% or more of the net profits of Sinotop Group and/or may result in a diversion of 25% or more of Sinotop Group's NA. Therefore, the Company proposes to seek its shareholders' approval for the Proposed Diversification.

2.2.2 Background information on TAS and DVSB

TAS was incorporated in Malaysia as a private limited company and is principally an investment holding company. DVSB (where TAS owned 56% legal and/or beneficial interest with effect from 29 May 2020) is principally involved in the development, operations and maintenance of mobile messaging and mobile payment applications for government electronic services. DVSB commenced operations in 2000 as a premium content provider via short messaging system ("**SMS**") for major broadcasting stations and print media organisations in Malaysia. In 2003, DVSB expanded into mobile data services.

In 2004, DVSB was issued the Application Service Provider ("**ASP**") Class License by the Malaysian Communications and Multimedia Commission (MCMC) for the provision of mobile internet messaging solutions utilizing SMS and wireless application protocol ("**WAP**") as the base platforms. In the same year, DVSB commenced developing the SMS RakanCop service where individuals can make a real time report of an incident by sending an SMS to the 32728 shortcode. DVSB has been working closely with the Malaysian Administrative Modernisation and Management Planning Unit ("**MAMPU**"), the Government secretariat for public service administration modernisation and innovation initiatives leading to a contract award in 2008 for the development of mySMS based on the 15888 shortcode.

In 2012, DVSB ventured into the development of mobile payment applications and launched MyPay 1.0, then a cash register for users to access Government-related services. Subsequently in 2014, DVSB developed AppGen, a user friendly tool for Government agencies to conceive, create, manage, test, collaborate and share their mobile application. For better public access, DVSB further developed a portal to host the mobile applications of Government agencies under one official application store, namely the Galeri Aplikasi Mudah Alih Kerajaan Malaysia (GAMMA). In 2015, DVSB revamped, rebranded and relaunched Malaysia's open data portal (data.gov.my) as a common platform for easy public access to Government open data sets.

Subsequent to product development and enhancement, DVSB relaunched the improved MyPay 2.0, a government digital service platform, in August 2019. MyPay aims to offer a one-stop platform for all queries and payment-related transactions with Government agencies in Malaysia. The key areas of services that MyPay 2.0 cover include information retrieval and payment for driving license expiry and polling station location for general elections, National Higher Education Fund Corporation ("**PTPTN**") student loans, local council and police summons, assessment and insolvency.

In August 2019, DVSB relaunched the improved "MyPay 2.0", which aims to offer a one-stop platform for all queries and payment-related transactions with Government agencies in Malaysia. Currently, DVSB has rolled out MyPay 2.0 services for 17 Government ministries and agencies including the Polis Diraja Malaysia (PDRM), 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". The e-Jamin digital platform would be launched in stages, starting with Kuala Lumpur, Shah Alam and Seremban, with a nationwide expansion target.

2.2.2 Key management personnel

As the mobile and digital solutions businesses are expected to be the new principal activity for Sinotop Group, the Board will ensure that the Group has the adequate capacity, capability and resources to diversify into the mobile and digital solutions businesses by capitalising on the competency and experience of the TAS Vendor. Upon completion of the TAS Shares Acquisition, the TAS Vendor has become a shareholder of the Company with 4.26% shareholding, as a strategic shareholder to continue spearheading the business and operations of TAS and DVSB. The TAS Vendor who is the founder of TAS and Executive Director of DVSB has over 30 years of experience across multiple industries including banking and finance, automobile, outdoor advertising, television programme production and distribution, trading, sales and broadcasting since his graduation in 1981. He is supported by Chief Technology Officer of DVSB, Raja Irwan Shah Hassan, who has nine years of experience in software engineering, data analytics and entrepreneurship. Raja Irwan Shah Hassan heads a team of ten engineers. In the visionary and operations advisory role, Ms. Amanda Sabri plays an effective part, sharing with DVSB her deep operations experience in the digital space. She has dived into her entrepreneurial passion since her early 20s in e-commerce, F&B, the digital market for property rentals as well as artificial intelligence and big data analytics. Amanda was also instrumental in the planning and successful launch of Uber X and subsequently Grabcar in Malaysia. This partnership provided a strong foundation for Amanda in the expansion and growth of high-tech high-growth companies. Amanda's businesses have received international investments and accolades, including two-times winner of the Great Entrepreneur Games.

The Board is of the opinion that the TAS Vendor has extensive knowledge and experience in the mobile and digital solutions industry and would be able to assist towards the successful diversification of Sinotop Group into the mobile and digital solutions businesses.

3. RATIONALE FOR THE PROPOSED DIVERSIFICATION

As set out in Section 2.2.1 of this announcement, the Proposed Diversification is sought as the Group expects its mobile and digital solutions businesses to contribute more than 25% or more of the net profits of Sinotop Group and/or result in a diversion of 25% or more of Sinotop Group's net assets.

The Proposed Diversification will enable Sinotop to diversify into a new viable business which will provide an additional revenue stream and cash flow, which may in turn improve the financial results of Sinotop Group as well as to increase its shareholders' value.

Mobile technology is growing and evolving at an overwhelming pace. Availability of mobile devices is rapidly spreading throughout the world and making significant improvements in many lives. The rapid development of mobile and digital communications in Malaysia has led to high population coverage and penetration rates. By investing in TAS, which eventually will own 80% equity interest in DVSB upon completion of the TAS-HTP Transaction, Sinotop will be able to share and tap into the growth potential in the mobile and digital solutions industry going forward.

In addition, the Proposed Diversification will allow the Group to reduce reliance on its Construction Business.

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4. RISK FACTORS IN RELATION TO THE PROPOSED DIVERSIFICATION

4.1 Business diversification risk

The Proposed Diversification will result in the diversification of the Group's core business to include the mobile and digital solutions businesses. As such, the Group will then be exposed to the risks inherent in the mobile and digital solutions industry, including among others, shortage of skilled personnel and adverse economic and market conditions. There can be no assurance that any changes in these factors will not have any material adverse effect on the Group's business and financial performance in the future. The management of the Company intends to mitigate the risk by leveraging on the competency of the existing key management personnel who have the relevant expertise and vast experience in the mobile and digital solutions industry in monitoring and overseeing the operations of the mobile and digital solutions businesses as well as changes within the mobile and digital solutions industry.

4.2 Political, economic, market and regulatory considerations

Any adverse developments in political, economic, market, interest rate, taxation, regulatory and social conditions could materially affect the Group's involvement in the mobile and digital solution industry. These include changes in the risks of economic downturn, unfavorable monetary and fiscal policy changes and change in governmental policies such as methods of taxation, currency contracts rules or introduction of new regulations, which are generally beyond management's control and affect all players in the industry. The Group seeks to limit the impact of such risks by monitoring the operating environments and reviewing business strategies in response to any major changes.

4.3 Dependency on key management personnel

The Group's involvement in the mobile and digital solutions segment is highly dependent on the abilities, skills and experience of the key personnel (as set out in Section 2.2.3 of this announcement). The sudden departure of the said personnel without suitable and timely replacement, or the inability of the Group to attract and retain other qualified personnel, may adversely affect the Group's mobile and digital solutions business segment and consequently, the Group's revenue and profitability. The Group will use its best endeavour to reduce dependency on any particular key personnel by attracting qualified and experienced employees, as well as addressing succession planning by grooming junior employees to complement the management team.

4.4 DVSB may not be able to comply with the customers' specifications

The mobile and digital solutions offered by DVSB must conform to and perform according to the customers' specifications and other contractual obligations. In the event the solutions and services do not conform to the pre-agreed specifications, DVSB will have to remedy or rectify the issues at own cost, resulting in reduced profitability and tarnished reputation in the market place.

DVSB adopt a quality management system to ensure that the work is constantly reviewed, updated and improved upon. As at the LPD, DVSB has not encountered any major issues. Further, DVSB has good relationships with the customers based on the track record in meeting the customers' requirements and needs.

DVSB believes that by working closely with the customers and coupled with the experience and expertise of DVSB, DVSB would be able to ensure that all work specifications and other contractual obligations are met and any issues can be reduced to a minimal level.

4.5 Rapid changes in technology and customer preferences may affect DVSB's business

DVSB operates in a dynamic market where the mobile and digital solutions are prone to evolving industry standards and frequent new product introductions and enhancements. The future growth and success would significantly depend on continuing market acceptance of the portfolio of solutions and the ability to develop new solutions to meet the customers' needs.

In the event the solutions become outdated or obsolete, these solutions will be upgraded or new mobile and digital solutions with enhanced functionalities will be developed to cater for market demand. The development of new or enhanced mobile and digital solutions is a complex and uncertain process. Further, DVSB may also experience design, marketing and other operational difficulties that could delay or prevent the development of new mobile and digital solutions.

The Group seek to limit these risks by constantly keeping abreast of the latest trends, requirements and technology through close interactions with the customers. Such market insights would be taken into consideration when DVSB develop or upgrade the mobile and digital solutions.

However, there can be no assurance that DVSB will be able to successfully anticipate technological changes and to develop new mobile and digital solutions in a timely manner and/or cost effectively. Such circumstances may in turn adversely affect the business and financial performance. Further, there can be no assurance that the R&D activities will be successful. Unsuccessful R&D activities may have a negative impact on the financial performance as the R&D expenses incurred may be substantial *vis-à-vis* the revenue for the relevant financial period.

5. INDUSTRY OVERVIEW AND PROSPECTS OF THE PROPOSED DIVERSIFICATION

5.1 Overview of the Malaysian economy

The ongoing COVID-19 outbreak has led to major negative impacts on the domestic economy, including broad-based disruption of economic activities. The GDP growth projection for 2020 has been revised sharply downwards, from 4.5 percent to -0.1 percent, reflecting the severity of the economic impact of the COVID-19 outbreak. It is important to note that this estimate contains a large degree of uncertainty, conditional on the overall outcome of the outbreak and the subsequent policy responses.

The ongoing COVID-19 outbreak has led to major negative spill overs in the domestic economy. At the initial stage of the outbreak, the impact was mainly on the electrical and electronics ("**E&E**") manufacturing sector, which is closely integrated into China-centric production networks and in the tourism and retail industries due to lower tourist arrivals. More recently, as the outbreak became widespread with higher community transmission, the government announced a four-week movement control order ("**MCO**"), which includes general prohibition of mass gatherings, restrictions of travel, and closures of schools, universities and government and private premises except those involved in essential services.

For the whole of 2019, GDP growth stood at 4.3 percent. Malaysia's economy expanded at a much slower pace in the second half of 2019, growing at 4.4 percent in Q3 and decelerating further to 3.6 percent in Q4. Private consumption remains the key driver of growth, anchored by positive income and employment growth. Growth in private investment remained slow on lower capital spending across economic sectors. Public investment remained in contraction, reflecting lower capital spending by both the federal government and public corporations. Meanwhile supply disruptions continued to affect the commodities and agriculture sectors.

Growth was also significantly affected by a deeper contraction of net exports of 1.3 percent and 3.3 percent in Q3 and Q4, respectively. Exports of E&E products were affected by the cyclical slowdown in the global technology cycle, while commodity exports were affected by a sharp contraction in liquefied natural gas exports. Growth of intermediate and capital imports shrank during the second half of 2019 on lower imports of intermediate E&E equipment and slower investment in machineries and transport equipment.

Labour market conditions were stable in 2019, with unemployment at 3.2 percent and labour force participation at 69.1 percent as of Q4 2019. The COVID-19 outbreak is expected to have a significant negative impact on employment and incomes, especially among the more than 40 percent of the labour force that is not covered by employment-based social protection, as well as workers in retail, manufacturing, tourism and other hard-hit sectors.
Net exports and investments are expected to experience a larger contraction in 2020, while private consumption is expected to grow at a much slower pace, from 7.6 percent in 2019 to 1.6 percent in 2020. Government expenditure is expected to increase on various measures, including the economic stimulus package and other key expenditures and initiatives to mitigate the economic and health impact of the outbreak, but the bulk of stimulus activities are expected to be off-budget in nature.

Because private consumption is projected to grow at only 1.6 percent (0.4 percent in per capita terms), the US$5.50/day 2011 purchasing power parity poverty rate is projected to remain unchanged at 1.3 percent in 2020. More significant are the expected employment and income losses among the bottom 40 percent and even the middle 40 percent. Effective economic relief for those affected will depend on both means-tested social assistance such as Bantuan Prihatin Nasional and the ongoing Bantuan Sara Hidup program and employment-based social insurance such as the Employees Provident Fund and Employment Insurance Scheme.

(Source: World Bank East Asia And Pacific Economic Update April 2020,World Bank Group)

5.2 Overview of the mobile technology business industry in Malaysia

The rapid development of mobile and digital communications in Malaysia has led to high population coverage and penetration rates. This has brought widespread economic benefits to the national economy through value-add, employment and productivity improvements. The mobile and digital solutions industry in Malaysia comprises industry players that offer content, as well as technology solutions. The mobile and digital solutions industry in Malaysia, based on the revenue of industry players, grew from RM7.2 billion in 2015 to an estimated RM8.1 billion in 2018 at a compound annual growth rate ("**CAGR**") of 4.0%. Providence Strategic Partners Sdn Bhd, an Independent Market Researches anticipates the mobile and digital solutions industry in Malaysia to grow from an estimated RM8.1 billion in 2018 to RM8.6 billion in 2020 at a CAGR of 3.0%.

In 2011, the Central Bank of Malaysia developed a 10-year financial sector blueprint which amongst others, outlined the initiative to displace paper-based payment instruments, namely cheques and cash, in favour of the more convenient and cost effective e-payment methods. In 2019, the Central Bank of Malaysia announced that the nation's migration to electronic payment ("**e-payment**") has been promising as mobile payment transaction volume increased 20-fold year-on-year amid a reduction in the usage of traditional methods such as cheque payments. Between 2017 and 2018, mobile payment transaction volume had increased 20-fold from below two million transactions to over 34 million transactions within a year. E-payment acceptance points such as point-of-sale (POS) terminals have more than doubled to 16 terminals per thousand inhabitants in 2018. More merchants are also accepting QR payments with over 400,000 registrations recorded to-date. Meanwhile, e-payment transactions have almost tripled to 125 transactions per capita in 2018. At the same time, new business models are emerging. The Central Bank of Malaysia estimates that 40% of financial technology firms ("**fintech**") in Malaysia are in payments or payment-related services. The electronic wallet (e-wallet) space has been particularly vibrant, contributing to rapid growth in mobile payments.

A study by global digital payments service provider, Visa Inc, has placed Malaysia at 19th among 73 countries in government e-payments adoption. The study by Visa Inc ranks governments by quantifying their e-payment capabilities based on various indicators such as policies and infrastructure. Supporting factors such as infrastructure and socioeconomic conditions have also played a crucial role in increasing the adoption of digital payments in Malaysia. The ranking was based on seven criteria, namely transactions between citizen and government ("**C2G**"), government-to-citizen ("**G2C**"), business-to-government ("**B2G**"), government-to-business ("**G2B**"), as well as the infrastructure, socioeconomic and policy environments to enable e-payments. Of the seven categories, Malaysia was ranked first along with Australia, Canada, France, Germany and Singapore in the B2G transaction category due to various initiatives in the payments space. Malaysia is also ranked eighth in the C2G and G2C transaction categories, where citizens can access a range of C2G and G2C transactions through an interoperable platform.

Mobile and digital devices play an important role in consumer lifestyles today, among both the urban and rural population. Consumers use and interact with their devices on a daily basis for communication, entertainment as well as for business use. Mobile and digital devices have altered the landscape, changing the way Malaysians communicate, obtain news and shop. Although personal computers are frequently used to shop online, smartphones are fast becoming the device of choice for Malaysians to remain connected.

According to the International Telecommunication Union (ITU), the percentage of households with a computer more than doubled from 31.3% in 2005 to 71.7% in 2018. The percentage of households with access to the internet increased from 15.2% in 2005 to 87.0% in 2018. In Malaysia, smartphone penetration has increased from 51.0% in 2014 to 75.9% in 2017. Mobile devices, and particularly smartphones, are becoming part of the lifestyle for Malaysians who use it for communication, and as a platform for obtaining information, socialising, entertainment and performing banking activities.

The growth in smartphone penetration in Malaysia was primarily contributed by extensive mobile broadband coverage and competition that led to competitively priced mobile broadband packages. In addition, smartphone prices have become more affordable as a result of service providers launching innovative packages. Coupled with an ongoing demand for digital services among Malaysians, these have encouraged mobile phone users to migrate to smartphones.

Malaysia has seen a steady growth of newly registered enterprises (as represented by newly registered companies) at an average increase of 4.3% annually. According to the latest available data from the Companies Commission of Malaysia new enterprises in Malaysia grew from 882,846 in 2009 to 1.3 million in 2019. This steady growth trend is expected to continue in light of the nation's developing economy over the long-term. The growing number of enterprises registered each year provides opportunities for greater demand for mobile and digital solutions in Malaysia.

The 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 further drive the sector and pave the way for the adoption and integration of IT solutions by enterprises across the nation. Under the 11th Malaysia Plan, the Government targets to increase the contribution of the IT sector to 18.2% of the nation's gross domestic product (GDP) by 2020. The IT sector is expected to gain greater momentum, driven by the convergence of industries and commercial activities due to digitalisation. Specifically, the Government intends to:

- develop the IT sector in technology focus areas such as big data analytics, Internet of Things and cloud computing;
- increase the adoption of IT solutions amongst small and medium enterprises (SMEs);
- build a support eco-system to allow for the development of IT solutions and internationalism; and
- develop high quality IT talent.

Malaysia is looking to accelerate the country's journey towards becoming a digital economy, with several initiatives being announced including making the country a global test bed for emerging technologies and innovation. These initiatives will continue to build on the national aim and vision of shared prosperity, utilising digital technologies for the social and economic uplifting of Malaysians. The Malaysia Digital Economy Corporation ("**MDEC**") will lead the implementation of the initiatives. MDEC will accelerate development in the fintech, blockchain and drone sectors by attracting global digital talents and interest from investors. To address the growing demand for a digital-savvy workforce, MDEC has proposed a new digital talent development strategy framework. This framework is designed to mobilise and coordinate the end-to-end nurturing of Malaysia's technology talent both locally and on the international stage.

Under Budget 2020, the Government of Malaysia allocated RM10 million to MDEC for the training of micro-digital entrepreneurs and technology experts to leverage e-marketplaces, social media platforms. In addition, a further RM70 million was allocated to the development of Digital Enhancement Centers across every state to facilitate upskilling of businesses to be electronic commerce (e-commerce) ready.

(Source: Providence Strategic Partners Sdn Bhd)

More recently in late 2019 and early 2020, there was an outbreak of coronavirus (COVID-19) which has since been categorised as a global pandemic as it spread widely worldwide affecting major economies including Malaysia. Following a high number of coronavirus infections amongst the population in Malaysia, the Government of Malaysia announced a movement control order ("**MCO**") that took effect from 18 March 2020 and has since been extended on a bi-weekly basis to 28 April 2020. Under the MCO, companies involved in the production of non-essential products and services are required to cease operations until 28 April 2020. The imposition of the MCO bodes well for the growth of e-payments, resulting in increased subscriptions and transactions from individual and business users who remain indoors to comply with the MCO regulations. As of 7 June 2020, the Prime Minister of Malaysia has announced that the currently enforced conditional MCO (CMCO) would come to an end on 9 June 2020 and it would be replaced with the Recovery MCO (RMCO) from 10 June 2020 up to 31 August 2020 with more lenient restrictions.

5.3 Prospects of the Proposed Diversification

The Board believes that the Proposed Diversification provides the Group an excellent opportunity to venture into the mobile and digital solutions industry which is at the growth industry cycle.

DVSB has established track record of developing mobile messaging and mobile payment applications based on user needs. DVSB has secured from MAMPU a build/operate/own ("**BOO**") contract, which allows DVSB to access and develop small application and connection services for 370 Government agencies and departments in Malaysia. DVSB is well positioned to support Malaysia's efforts to be more digitally enabled arising from its 16 years long standing and established business relationships with the Government ministries and agencies for whom DVSB has developed mobile messaging and mobile payment application, and continues to operate and maintain till today.

DVSB intends to roll out MyPay 2.0 services for more Government agencies, thereby enabling users to use MyPay 2.0 as a convenient and easy way to obtain information and make relevant payments to various government agencies on a single platform. To date, the eJamin digital platform is available in 101 courts spanning across eight states in Malaysia, and is expected to be launched in more courts countrywide.

TAS, via DVSB, will continue to focus on new product development as well as enhancements of current mobile applications to enhance customer experience.

Currently, TAS and DVSB principally operate in Malaysia where DVSB has developed mobile messaging and mobile payment applications for government electronic services. Since 2004, DVSB has a track record of 16 years disseminating mobile data between Government agencies and businesses as well as individual users. DVSB intends to leverage on this experience to expand to neighbouring countries in the Southeast Asia region through the development of its own API marketplace. In this API marketplace, providers from nations in Southeast Asia can list their APIs for acquisition by other developers in the region. DVSB targets to expand its API marketplace to Southeast Asia by 2023.

With the outlook of the mobile and digital solutions industry in Malaysia and the prospect of DVSB, the Board believes that the Proposed Diversification will augur well for the Group. The Group's venture into the mobile and digital solutions industry will enable the Group to diversify its revenue and earning streams to enhance the Group's profitability and shareholders' value.

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6. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any effect on the share capital and substantial shareholders' shareholding of Sinotop, net assets ("**NA**"), NA per Sinotop Share, gearing, earnings and earnings per Sinotop Share ("**EPS**") of Sinotop Group.

However, the profit contributions arising from the mobile and digital solutions business are expected to have a positive impact on the future NA, earnings and EPS of the Group.

The effect of the Proposed Disposal and Proposed Capital Reduction on the share capital and substantial shareholders' shareholding of Sinotop, NA, NA per Sinotop Share, gearing, earnings and EPS of Sinotop Group are illustrated in the ensuing sections.

6.1 Share capital

The pro forma effects of the Proposed Disposal and Proposed Capital Reduction on the share capital of Sinotop are as follows:

	No. of Sinotop Shares ('000)	**RM'000**
As at the LPD	394,899	118,470
Pursuant to the TAS Shares Acquisition	38,462	5,000
	433,361	123,470
Pursuant to the Proposed Capital Reduction	-	(86,000)
After the Proposals	**433,361**	**37,470**

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6.2 NA, NA per Sinotop Share and gearing

The pro forma effects of the Proposed Disposal and Proposed Capital Reduction on the NA, NA per Sinotop Share and gearing of Sinotop Group based on the audited consolidated financial statements of Sinotop for the FYE 30 June 2019 are set out below:

		(I)	(II)	(III)
	Audited as at 30 June 2019 (RM'000)	**After the TAS Shares Acquisition** (RM'000)	**After (I) and the Proposed Capital Reduction** (RM'000)	**After (II) and the Proposed Disposal** (RM'000)
Share capital	118,470	123,470	37,470	37,470
Statutory reserve	15,697	15,697	15,697	-
(Accumulated losses)/ Retained earnings	(68,371)	(i)(68,546)	(ii)17,454	(iii)(2,136)
Equity attributable to owners of the Company	65,796	70,621	70,621	35,334
Non-controlling interests	-	5,046	5,046	5,046
Reserves classified as held for sale	40,338	40,338	40,338	-
Total equity	**106,134**	**116,005**	**116,005**	**40,380**
Number of Sinotop Shares issued ('000)	394,899	433,361	433,361	433,361
NA per Sinotop Share (RM)	0.27	0.27	0.27	0.09
Total borrowings (RM'000)	-	220	220	220
Gearing (times)	-	(iv)-	(iv)-	0.01

Notes:

(i) Inclusive of the estimated expenses of RM0.175 million in relation to the Proposed Shares Acquisition.

(ii) After crediting the Proposed Capital Reduction of RM86.0 million. For information purposes, the audited accumulated losses at Sinotop's company level as at 30 June 2019 is approximately RM87.90 million.

(iii) Estimated loss on disposal of Be Top of RM18.59 million and inclusive of the estimated expenses of RM1.00 million in relation to the Proposals and Waiver Application.

(iv) Negligible.

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6.3 Earnings and EPS

As set out in Section 2.1.3 of this announcement and based on the carrying amount of investment in Be Top as at 30 June 2019 as set out in the audited consolidated financial statements of Sinotop for the FYE 30 June 2019, Sinotop Group is expected to incur a loss on disposal of approximately RM18.59 million pursuant to the Proposed Disposal.

Save for the total estimated expenses to be incurred in relation to the Proposals and Waiver Application of RM1.00 million, the Proposed Capital Reduction will not have any impact on the earnings of the Group.

For illustration purposes, assuming the Proposals had been effected at the beginning of the FYE 30 June 2019, the pro forma effects on the earnings and EPS of the Group are as follows:

		(I)	(II)	(III)
	Audited as at 30 June 2019	**After the TAS Shares Acquisition**	**After (I) and the Proposed Capital Reduction**	**After (II) and the Proposed Disposal**
LAT attributable to the owners of Sinotop (RM'000)	(73,867)	[(ii)](74,042)	(74,042)	(93,632)
Number of Sinotop Shares ('000)	394,899	433,361	433,361	433,361
LAT per Sinotop Share[(i)] (RM)	(0.19)	(0.17)	(0.17)	(0.22)

Notes:

(i) Computed based on the LAT attributable to the owners of Sinotop divided by the number of Sinotop Shares.

(ii) After deducting the estimated expenses of RM175,000 in relation to the TAS Shares Acquisition.

(iii) After deducting estimated net loss arising from the Proposed Disposal of approximately RM18.59 million and the estimated expenses of RM1.00 million in relation to the Proposals and Waiver Application.

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6.4 Substantial shareholders' shareholdings

The Proposed Disposal and Proposed Capital Reduction will not have any effect on the substantial shareholders' shareholdings of the Company.

6.5 Convertible securities

As at the LPD, the Company has no convertible securities.

7. APPROVALS REQUIRED FOR THE PROPOSALS

The Proposals are subject to the following approvals being obtained:

(a) the shareholders of Sinotop at an EGM to be convened; and

(b) any other relevant regulatory authorities and/or parties, if required.

The Proposed Proposal, Proposed Capital Reduction and Proposed Diversification are not conditional or inter-conditional upon each other.

The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by Sinotop.

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements of Bursa Securities is 550.82%, which is computed based on the audited PAT of Be Top Group compared with the audited PAT of Sinotop Group based on the consolidated audited financial statements of Sinotop for the FYE 30 June 2018, being the last available consolidated audited financial statements of Sinotop prior to the date of announcement of the Disposal SSA on 2 May 2019.

For illustrative purposes, the highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements of Bursa Securities based on the latest available consolidated audited financial statements of Sinotop for the FYE 30 June 2019 is 199.85%, which is computed based on the audited NA of Be Top Group compared with the audited NA of Sinotop Group as at 30 June 2019.

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

As mentioned in the earlier Announcement dated 2 May 2019 and the Section 2.1 of this Announcement, the Proposed Disposal is a related party transaction, accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings, approving the relevant Board circular resolutions and voting in respect of their direct and indirect shareholdings in Sinotop, if any, on the resolution pertaining to the Proposed Disposal to be tabled at the extraordinary general meeting to be convened.

Save as disclosed above, none of the Directors, major shareholders of Sinotop and/or persons connected with them have any interest, directly or indirectly in the Proposals.

9. DIRECTORS' STATEMENT ON THE PROPOSED DIVERSIFICATION

The Board having considered all aspects of the Proposed Diversification, including the rationale, prospects and risk factors, is of the opinion that the Proposed Diversification is in the best interest of the Group.

10. ESTIMATED TIME FRAME FOR COMPLETION OF THE RPOPOSALS

The draft circular to shareholders of Sinotop in relation to the Proposals is expected to be submitted to the relevant authorities within one month from the date of this announcement.

The Proposed Disposal will be completed progressively in accordance with the Supplemental Disposal SSA as set out in Section 2.1.1 of this announcement.

The Proposed Capital Reduction shall take effect on the date as confirmed by the Registrar of Companies ("**ROC**") in the Notice Confirming Reduction of Capital as issued by the ROC pursuant to Section 119 (4) of the Companies Act 2016.

The Proposed Diversification will take immediate effect upon obtaining the approval of the Company's shareholders.

11. ADVISERS FOR THE PROPOSED DIVERSIFICATION

IPS had been appointed as the Principal Adviser and Astramina had been appointed as the Financial Adviser to the Company for the Proposed Diversification.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Disposal SSA and supplemental Disposal 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 18 June 2020.