THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities)** has not perused the content of this Circular (as defined herein) in relation to the Proposed Change of Name (as defined herein) prior to the issuance of this Circular.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

SINOTOP
顶峰控股

SINOTOP HOLDINGS BERHAD
(Registration No. 198401002327 (114842-H))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

Part A

(I) PROPOSED DISPOSAL BY SINOTOP HOLDINGS BERHAD ("SINOTOP") OF THE ENTIRE EQUITY INTEREST IN ITS WHOLLY-OWNED SUBSIDIARY, BE TOP GROUP LIMITED, FOR A CASH CONSIDERATION OF RM70.00 MILLION ("PROPOSED DISPOSAL");

(II) PROPOSED REDUCTION OF SINOTOP'S SHARE CAPITAL PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016 ("PROPOSED CAPITAL REDUCTION"); AND

(III) PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS OF SINOTOP AND ITS SUBSIDIARIES TO INCLUDE MOBILE AND DIGITAL SOLUTIONS BUSINESSES ("PROPOSED DIVERSIFICATION").

PART B

INDEPENDENT ADVICE LETTER FROM ASIA EQUITY RESEARCH SDN. BHD. TO THE NON-INTERESTED SHAREHOLDERS OF SINOTOP IN RELATION TO THE PROPOSED DISPOSAL

PART C

PROPOSED CHANGE OF NAME OF SINOTOP FROM "SINOTOP HOLDINGS BERHAD" TO "PERTAMA DIGITAL BERHAD"

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser for Part A	Principal Adviser for Part A	Independent Adviser for Part B
ASTRAMINA ADVISORY	INTER-PACIFIC SECURITIES SDN. BHD. 197201001092 (12738-U) A Participating Organisation of Bursa Malaysia Securities Berhad A Trading Participant of Bursa Malaysia Derivatives Berhad	AER
Astramina Advisory Sdn. Bhd.	**Inter-Pacific Securities Sdn. Bhd.**	**Asia Equity Research Sdn. Bhd.**
Registration No. 200801009417 (810705-K)	Registration No. 197201001092 (12738-U)	(License Number: CMSL/A0330/2015)
(A licensed corporate finance advisory firm)	*(A participating organisation of Bursa Malaysia Securities Berhad)*	*Licensed to provide advisory in corporate finance and investment advice.*

The Notice of Extraordinary General Meeting ("**EGM**") together with a copy of the Form of Proxy are enclosed with this Circular. If you decide to appoint a proxy to attend and vote on your behalf at the EGM, the Form of Proxy should be completed and lodged at our registered office at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting at the forthcoming EGM if you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	Wednesday, 19 August 2020 at 10.00 a.m.
Date and time of the EGM	:	Friday, 21 August 2020 at 10.00 a.m.
Venue of the EGM	:	Concorde 1, Lobby Level, Concorde Hotel, 2, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur

This Circular is dated 30 July 2020

DEFINITIONS

In this Circular, the following terms and abbreviations shall have the following meanings unless otherwise stated:

"Act"	:	Companies Act 2016
"AER" or "Independent Adviser"	:	Asia Equity Research Sdn. Bhd. (Registration No. 201401027762 (1103848-M)), being the independent adviser for the Proposed Disposal
"Astramina" or "Financial Adviser"	:	Astramina Advisory Sdn. Bhd. (Registration No. 200801009417 (810705-K))
"Be Top"	:	Be Top Group Limited (Company No. 1006278), a wholly-owned subsidiary of Sinotop
"Be Top Group" or "Foreign Assets"	:	Be Top and its wholly-owned subsidiary, Top Textile, collectively
"Be Top Share(s)"	:	Ordinary share(s) of Be Top
"Bidding Bond"	:	The bidding bond as described in item 2.1.2 of Part A of this Circular
"Binding Offer"	:	The binding offer from GIL to acquire the entire equity interest in Be Top with a tender offer price of RM70,000,000 pursuant to the Open Tender
"Board"	:	Board of Directors of Sinotop
"Bursa Depository"	:	Bursa Malaysia Depository Sdn. Bhd. (Registration No. 198701006854 (165570-W))
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"BVI"	:	British Virgin Islands
"Cash Payment"	:	The cash payment from the Proposed Disposal amounting to approximately RM33.52 million
"Circular"	:	This circular to shareholders of Sinotop dated 30 July 2020 in relation to the Proposals and Proposed Change of Name
"Cut-Off Date"	:	The date falling no later than 12 months from the date of the Supplemental Disposal SSA, or such other date as may be mutually agreed between the parties in writing
"Director(s)"	:	Director(s) of Sinotop
"Disposal Consideration"	:	Total cash consideration of RM70.00 million for the Proposed Disposal
"Disposal SSA"	:	Conditional share sale agreement entered into between Sinotop and GIL dated 2 May 2019 in relation to the Proposed Disposal
"DVSB"	:	Dapat Vista (M) Sdn. Bhd. (Registration No. 200001005753 (508358-X))
"DVSB Profit Guarantee"	:	Profit guarantee as provided by TAS Vendor in respect of the aggregate audited PAT of DVSB for the FYE 31 December 2020, 2021 and 2022 of not less than a total sum of RM9.00 million excluding extraordinary items

"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per share
"First Cash Payment"	:	The sum of RM12.00 million in cash, being part of the Cash Payment under the Disposal Consideration
"FPE"	:	Financial period ending/ended, as the case may be
"FYE"	:	Financial year ending/ended, as the case may be
"GIL"	:	Gifted Investments Limited (Company No: 1539140)
"HTP"	:	HeiTech Padu Berhad (Registration No. 199401024950 (310628-D))
"IAL"	:	Independent advice letter
"Interested Directors"	:	Pan Ding and Pan Dong, collectively
"IPS" or "Principal Adviser"	:	Inter-Pacific Securities Sdn. Bhd. (Registration No. 197201001092 (12738-U))
"LAT"	:	Loss after tax
"LBT"	:	Loss before tax
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	17 July 2020, being the latest practicable date prior to the printing of this Circular
"LPS"	:	Loss per share
"Main Market"	:	Main Market of Bursa Securities
"Market Day(s)"	:	Any day(s) between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
"Mazars"	:	Mazars PLT (LLP0010622-LCA & AF001954)
"NA"	:	Net assets
"New Investment in TAS"	:	Investment in TAS through the TAS Shares Acquisition, and its 56%-owned subsidiary, DVSB subsequent to TAS made the full payment of RM7.575 million to HTP and its appointed solicitor for the first and second payment tranches for 36% additional equity interest in DVSB pursuant to the TAS-HTP Transaction
"Non-Binding Offer"	:	Written non-binding indicative offer received by the Tender Administrator from the interested bidder pursuant to the Open Tender
"Official List"	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
"Open Tender"	:	The open tender process undertaken by Sinotop for the proposed disposal of its Foreign Assets for cash

"PAT"	:	Profit after tax
"PBT"	:	Profit before tax
"PE"	:	Price to earnings
"PN"	:	Practice Note issued by Bursa Securities
"PRC"	:	People's Republic of China
"Proposals"	:	Proposed Disposal, Proposed Capital Reduction and Proposed Diversification, collectively
"Proposed Capital Reduction"	:	Proposed reduction of Sinotop's share capital by RM86.00 million pursuant to Section 117 of the Act to set off the accumulated losses of Sinotop
"Proposed Change of Name"	:	Proposed change of name of Sinotop from "Sinotop Holdings Berhad" to "Pertama Digital Berhad"
"Proposed Disposal"	:	Proposed disposal of the entire equity interest in Sinotop's wholly-owned subsidiary, Be Top, for a cash consideration of RM70.00 million
"Proposed Diversification"	:	Proposed diversification of the existing core business of Sinotop Group to include mobile and digital solutions businesses
"Proposed Share Consolidation"	:	Proposed share consolidation of every seven (7) existing Sinotop Shares into two (2) consolidated shares after the completion of the Proposed Capital Reduction
"Record of Depositors"	:	A record of securities holders established and maintained by Bursa Depository pursuant to the Rules of Bursa Depository
"RM" and "Sen"	:	Ringgit Malaysia and sen, respectively, being the lawful currency of Malaysia
"RMB"	:	Renminbi, being the lawful currency of the PRC
"Rules of Bursa Depository"	:	Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991
"SC"	:	Securities Commission Malaysia
"Second Cash Payment"	:	The sum of RM18,515,497.06 (subject to any adjustments that may need to be made on the date on which Tranche 2 Completion has occurred) in cash, being part of the Cash Payment under the Disposal Consideration
"Sinotop" or "Company"	:	Sinotop Holdings Berhad (Registration No. 198401002327 (114842-H))
"Sinotop Group" or "Group"	:	Sinotop and its subsidiary(ies), collectively
"Sinotop Share(s)" or "Share(s)"	:	Ordinary share(s) of Sinotop
"TAS"	:	Television Airtime Services Sdn. Bhd. (Registration No. 199201021262 (252766-M))

"TAS Group"	:	TAS and its subsidiary, collectively
"TAS-HTP Transaction"	:	Sale and purchase agreement dated 10 December 2019 for the disposal by HTP of 60% equity interest in DVSB to TAS
"TAS Shares Acquisition"	:	Acquisition by Sinotop of 5,865,000 ordinary shares in 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 Sinotop Shares at an issue price of RM0.13 per Share for a total shares consideration of RM5.00 million and cash consideration of RM2.00 million completed on 22 May 2020
"TAS SSA"	:	Conditional share sale agreement entered into between Sinotop and TAS Vendor dated 23 April 2020 in relation to the TAS Shares Acquisition
"TAS Vendor"	:	Sabri Bin Ab Rahman
"Tender Administrator"	:	Messrs Azri, Lee Swee Seng & Co
"Top Textile"	:	Top Textile (Suzhou) Co., Ltd. (Unified Social Credit Code: 91320509784974662D), a wholly-owned subsidiary of Be Top
"Tranche 1 Completion"	:	The completion for the transfer of Tranche 1 Sale Shares to GIL as mentioned in Appendix I of this Circular
"Tranche 2 Completion"	:	The completion for the transfer of Tranche 2 Sale Shares to GIL as mentioned in Appendix I of this Circular
"Tranche 3 Completion"	:	The completion for the transfer of Tranche 3 Sale Shares to GIL as mentioned in Appendix I of this Circular
"Tranche 1 Sale Shares"	:	43 Be Top Shares, representing 21.5% of the issued shares in Be Top as mentioned in Appendix I of this Circular
"Tranche 2 Sale Shares"	:	53 Be Top Shares, representing 26.5% of the issued shares in Be Top as mentioned in Appendix I of this Circular
"Tranche 3 Sale Shares"	:	The remaining 104 Be Top Shares, representing 52.0% of the issued shares in Be Top as mentioned in Appendix I of this Circular
"USA"	:	United States of America
"USD"		United States dollar, being the lawful currency of the USA
"VWAMP"	:	Volume weighted average market price
"Waiver Application"	:	Waiver application to Bursa Securities for Sinotop from being classified as an "affected listed issuer" under Paragraph 8.03A of the Listing Requirements post the Proposed Disposal

All references to "our Company" and "the Company" in this Circular are to Sinotop. References to "the Group" and "the Sinotop Group" are to our Company and subsidiaries, collectively. Reference to "we" and "our" are to our Company and save where the context otherwise, shall include our subsidiaries.

All references to "you" or "your" in this Circular are to the shareholders of the Company who are entitled to attend and vote at the EGM and whose names appear in the Record of Depositors of the Company at the time and on the date to be determined by the Board.

Words denoting the singular number shall include the plural and vice-versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any provision of the statutes, rules, regulations or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations or rules of stock exchange (as the case may be) as modified by any written law and any amendments to the statutes, rules, regulations or rules of stock exchange for the time being in force or their respective re-enactment.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that Sinotop's plans and objectives will be achieved.

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PART A

LETTER TO THE SHAREHOLDERS OF SINOTOP IN RELATION TO THE PROPOSALS CONTAINING THE FOLLOWING:

PART A

LETTER TO THE SHAREHOLDERS OF SINOTOP IN RELATION TO THE PROPOSALS

SINOTOP
顶峰控股

SINOTOP HOLDINGS BERHAD
(Registration No. 198401002327 (114842-H))
(Incorporated in Malaysia)

Registered office:
802, 8th Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

30 July 2020

Board of Directors

Datuk Dr. Ng Bee Ken *(Independent Non-Executive Chairman)*
Pan Ding *(Group Managing Director/Executive Director)*
Pan Dong *(Executive Director)*
Tun Dato' Seri Zaki Bin Tun Azmi *(Independent Non-Executive Director)*
Low Yan Seong *(Independent Non-Executive Director)*
Wan Kamarul Zaman Bin Wan Yaacob *(Independent Non-Executive Director)*

To: The shareholders of Sinotop

Dear Sir/Madam,

SINOTOP HOLDINGS BERHAD

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

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION ON THE PROPOSALS

On 12 December 2018, on behalf of the Board, IPS and Astramina had announced that Sinotop proposed to dispose its Foreign Assets for cash via an Open Tender exercise.

The closing date for the Non-Binding Offer was on 8 January 2019. On 11 January 2019, the Company had issued the notice of short-listed bidders in relation to the Open Tender to the sole shortlisted bidder, namely GIL. The Non-Binding Offer by GIL was to acquire the entire equity interest in Be Top at an indicative tender offer price of RM65.00 million.

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As at the closing date of the binding offer in respect of the Open Tender on 31 January 2019, the Tender Administrator received the Binding Offer from GIL to acquire the entire equity interest in Be Top with a tender offer price of RM70.00 million. The Board (save for the Interested Directors who had abstained from any deliberations with respect to the Proposed Disposal) had agreed to accept the Binding Offer at the Disposal Consideration.

On 2 May 2019, on behalf of the Board, IPS and Astramina had announced that Sinotop had on 2 May 2019 entered into a Disposal SSA with GIL in relation to the Proposed Disposal and that the Company had also proposed to undertake the Proposed Capital Reduction and the Proposed Share Consolidation.

Based on the audited consolidated financial statements of Sinotop for the FYE 30 June 2018, the revenue contribution from the Foreign Assets was approximately 95%, and based on the latest audited consolidated financial statements of Sinotop for the FYE 30 June 2019, the revenue contribution from the Foreign Assets was approximately 87%. 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 addtion to the above, the Proposed Disposal is also a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. In view of the interests of the Interested Directors and major shareholders of the Company in the Proposed Disposal as set out in Section 9.1 of Part A of this Circular, 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 to the detriment of the non-interested shareholders.

On 2 July 2019, on behalf of the Board, IPS and Astramina had announced that the share consolidation application for the Proposed Share Consolidation and the draft circular to shareholders in relation to, amongst others, the Proposed Disposal, Proposed Capital Reduction and Proposed Share Consolidation (collectively referred to as the "**Documents**") had been submitted to Bursa Securities on 1 July 2019. However, on 1 October 2019, IPS and Astramina had, on behalf of the Board, announced the withdrawal of the Documents that was submitted to Bursa Securities on 1 July 2019 in order to make the relevant amendments and to update the Documents prior to resubmitting the Documents to Bursa Securities for its approval after taking into consideration the termination of the proposed acquisition of the entire equity interest in Asianmax Corporation Sdn. Bhd. by Sinotop from Dato' Justin Soo Sze Ching for a total purchase consideration of RM96.00 million.

On 2 August 2019, 2 October 2019, 2 January 2020 and 2 April 2020 respectively, on behalf of the Board, IPS and Astramina had announced that Sinotop and GIL had mutually agreed to extend the cut-off date of the Disposal SSA to 2 July 2020 to facilitate the fulfilment of the conditions precedent of the Disposal SSA.

On 23 April 2020, the Board had announced that Sinotop had entered into the TAS SSA with the TAS Vendor for the TAS Shares Acquisition.

On 22 May 2020, the Board announced that the TAS Shares Acquisition was completed following the listing of 38,461,538 new Sinotop Shares on the Main Market of Bursa Securities. Accordingly, Sinotop has now owns 51% equity interest 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. For information, Sinotop and the TAS Vendor had further agreed for the balance cash consideration of RM1.00 million to be paid by the Company to the TAS Vendor by 21 September 2021 or within 30 days upon the Company obtaining its shareholders' approval on the Proposed Disposal, whichever shall be the earlier. On 29 May 2020, the Board also announced that on the even date, TAS had made the full payment to HTP and its appointed solicitor for the first and second payment tranches for 36% additional equity interest in DVSB in relation to the TAS-HTP Transaction. Pursuant thereto and as at the LPD, DVSB is a 56%-owned subsidiary of TAS. For information, as at the date of the TAS-HTP Transaction, DVSB was 20% and 80% owned by TAS and HTP respectively. The balance of 24% of the issued shares capital of DVSB in respect of the TAS-HTP Transaction will be transferred by HTP to TAS in proportionate amount upon payment of each of the balance tranche by TAS to HTP up to December 2023 in accordance with the terms of the TAS-HTP Transaction. Upon full completion of the TAS-HTP Transaction, TAS will own 80% equity interest in DVSB, with the remaining of 20% owned by HTP.

On 18 June 2020, on behalf of the Board, IPS and Astramina had announced that Sinotop had entered into a Supplemental Disposal SSA with GIL to vary and amend certain arrangement, terms and conditions of the Disposal SSA. The salient terms of the Disposal SSA and Supplemental Disposal SSA are set out in Appendix I of this Circular.

On 18 June 2020, on behalf of the Board, IPS and Astramina had announced the Proposed Diversification following the completion of the TAS Shares Acquisition on 22 May 2020.

On 18 June 2020, on behalf of the Board, IPS and Astramina had also announced that the Board has resolved 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 on 17 June 2020, being the market day preceding 18 June 2020, and a five (5)-day VWAMP up to and including 17 June 2020 of RM0.6133, representing premium of approximately 90.00% and 104.43% respectively to the last transacted market price for Sinotop Shares on 30 April 2019. For information, the Sinotop Shares was last traded at RM0.47 on the LPD and a five (5)-day VWAMP up to and including the LPD of RM0.4915, representing premium of approximately 56.67% and 63.83% respectively to the last transacted market price for Sinotop Shares on 30 April 2019.

Nonetheless, the Company proposes to proceed with the Proposals.

Further details of the Proposals are set out in Sections 2.1 to 2.3 of Part A of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS AND INFORMATION ON THE PROPOSALS, TO SET OUT OUR BOARD'S RECOMMENDATIONS AND TO SEEK YOUR APPROVALS FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Disposal

On 8 January 2019, being the closing date for the Non-Binding Offer, the Tender Administrator had received only one (1) Non-Binding Offer from an interested bidder, GIL, which is the controlling shareholder of Sinotop holding 57.01% of the then issued share capital of the Company.

The Non-Binding Offer by GIL to acquire the entire equity interest in Be Top was at an indicative tender offer price of RM65.00 million. The indicative tender offer price of RM65.00 million was derived based on willing buyer basis and represents the following:

(a) a PE multiple of approximately 145.5 times based on the annualised segmental PAT contribution by the Foreign Assets' manufacturing and sale of fabric products business of approximately RM0.67 million for the 18-month FPE 30 June 2018;

(b) a PE multiple of approximately 27 times over the average consolidated net profits of Be Top of approximately RM2.4 million for the FYE 31 December 2015, FYE 31 December 2016 and 18-month FPE 30 June 2018; and

(c) a price-to-book multiple of approximately 0.30 times over the consolidated NA of Be Top of approximately RM219 million as at 30 September 2018.

On 31 January 2019, being the closing date of the binding offer in respect of the Open Tender, the Tender Administrator received the Binding Offer from GIL to acquire the entire equity interest in Be Top at a tender offer price of RM70.00 million.

Subsequently, Sinotop had on 2 May 2019 entered into the Disposal SSA with GIL in relation to the Proposed Disposal pursuant to the Open Tender.

In light of the Company may trigger the criteria for inadequate level of operations pursuant to Paragraph 8.03A of the Listing Requirements as a result of the Proposed Disposal, the Company will submit a Waiver Application to Bursa Securities from being classified as an affected listed issuer under Paragraph 8.03A of the Listing Requirements ("**Affected Listed Issuer**") 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. In this respect, Sinotop had renegotiated with GIL on certain arrangement, terms, and conditions of the Disposal SSA, to allow for progressive payment and completion for the Proposed Disposal which will not result in the Company being classified as an Affected Listed Issuer. Consequently, on 18 June 2020, on behalf of the Board, IPS and Astramina had announced that Sinotop had entered into a Supplemental Disposal SSA with GIL to vary and amend certain arrangement, terms and conditions of the Disposal SSA. The salient terms of the Disposal SSA and Supplemental Disposal SSA are set out in Appendix I of this Circular.

In view thereof and taking into consideration the interests of the Interested Directors and major shareholders of the Company in the Proposed Disposal as set out in Section 9.1 of Part A of this Circular, the Proposed Disposal is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements and also deemed a major disposal pursuant to Paragraph 10.11A of the Listing Requirements.

As such, the Board (save for the Interested Directors) in its review and consideration of the terms of the Proposed Disposal had appointed AER as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company in relation to the Proposed Disposal.

2.1.1 Information on the purchaser

GIL is incorporated in the BVI under the BVI Business Companies Act, 2004 on 8 July 2009. The registered office of GIL is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI. The principal business of GIL is investment holding.

GIL has an authorised share capital of USD50,000 divided into 50,000 shares of USD1.00 each. As at the LPD, GIL has an issued share capital of USD200 divided into 200 shares of USD1.00 each.

As at the LPD, the directors and shareholders of GIL and their respective shareholdings are as follows:

Name	Nationality	No. of shares held	Shareholding
Pan Ding	Chinese	200	100%
Pan Dong	Chinese	-	-

Pan Ding and Pan Dong are brothers.

2.1.2 Basis and justification for the Disposal Consideration

The Disposal Consideration is inclusive of the assumption of liabilities by GIL of the amounts owing by Sinotop to Be Top and Top Textile and was arrived at based on a willing buyer and willing seller basis.

The Disposal Consideration represents:

(a) a PE multiple of approximately 156.7 times based on the annualised segmental PAT contribution by the Foreign Assets' manufacturing and sale of fabric products business of approximately RM0.67 million for the 18-month FPE 30 June 2018[(1)];

(b) a PE multiple of approximately 29 times over the average consolidated net profits of Be Top of approximately RM2.4 million for the FYE 31 December 2015, FYE 31 December 2016 and 18-month FPE 30 June 2018[(1)]; and

(c) a price-to-book multiple of approximately 0.32 times over the consolidated NA of Be Top of approximately RM219 million as at 30 September 2018.

Note:

(1) Being the then latest available audited consolidated financial statements of Sinotop and Be Top prior to the submission of the Binding Offer by GIL on 31 January 2019 and execution of the Disposal SSA on 2 May 2019.

For information purposes, based on the audited consolidated financial statements of Be Top for the FYE 30 June 2019, the Disposal Consideration represents a price-to-book multiple of approximately 0.33 times over the consolidated NA of Be Top of approximately RM212 million. The implied price-to-book multiple of approximately 0.33 times translates to a discount to the Be Top Group's NA of 66.98%. The said discount of 66.98% is mainly attributable to the low profitability of Be Top Group over the past few financial years, which Be Top Group was unable to generate the expected return for the Company and resulted in a decrease in the value of Be Top Group. Be Top Group had recorded a LAT of RM5.29 million for the FYE 30 June 2019, hence, implied PE multiple based on the Disposal Consideration is not applicable.

The Disposal Consideration is to be satisfied by GIL in the following manner:

		RM'000
(a)	Assumption of amount owing by Sinotop to Be Top[(i)]	20,944
(b)	Assumption of amount owing by Sinotop to Top Textile[(i)]	15,540
(c)	Cash Payment[(ii)]	33,516
Total Disposal Consideration		**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 RM36.33 million.*

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The summary of the amounts owing by Sinotop to Be Top and Top Textile are set out as follows:

		Audited as at 30 June 2018		Unaudited as at 31 March 2020	
		Be Top RM'000	Top Textile RM'000	Be Top RM'000	Top Textile RM'000
(a)	Amount due to/(from) subsidiaries attributable to operational and administrative expenses	7,397	(993)	7,376	(1,540)
(b)	Advances from subsidiaries for capital repayment to shareholders in 2017	12,894	16,997	12,894	16,997
(c)	Effect on net changes in foreign currency translation	654	(464)	1,142	(536)
Total amount owing by Sinotop		**20,944**	**15,540**	**21,412**	**14,921**

*(ii) The bidding 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 (after deduction of the bidding bond of RM3.00 million) is subject to adjustments in accordance with the Supplemental Disposal SSA and shall be paid by GIL to Sinotop in the manner as set out in Section 2.1.9 of Part A of this Circular ("**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.

The Board (save for the Interested Directors) is of the view that the Disposal Consideration is justifiable after taking into consideration the view of the Independent Adviser that the fair market value of the Foreign Assets as appraised by the Independent Adviser ranges from RM52.00 million to RM66.00 million which was derived using the justified price-to-book multiple approach, PE multiple of comparable companies, historical PE multiple when the Foreign Assets was acquired by Sinotop in year 2010 and the break-up basis approach.

Please refer to the IAL in Part B of this Circular for the evaluation by AER in relation to the Proposed Disposal.

2.1.3 Salient terms of the Disposal SSA and Supplemental Disposal SSA

Please refer to Appendix I of this Circular for the salient terms of the Disposal SSA and Supplemental Disposal SSA.

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 receipt of proceeds from the Proposed Disposal
TAS Shares Acquisition	(i)	2,000	Within one (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	(iv)	1,000	Within nine (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 of the Group 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 which include, among others, the potential acquisition of the remaining 49% equity interest in TAS not already owned by the Company.*

Our Company will make the necessary announcements and seek shareholders' approval (if required) for any such investments, as and when it is finalised, in compliance with the Listing Requirements.

(iii) *Intended to be utilised for Sinotop Group's working capital requirements of which the estimated breakdown is as follows:*

	RM'000
Payments to creditors	*6,500*
Directors and staff costs	*3,000*
Administrative overheads and office expenses	*1,016*
Total	***10,516***

The proceeds to be utilised for each component of the working capital are subject to the actual operating requirements of Sinotop Group at the time of utilisation.

(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, the breakdown of which is as follows:*

	RM'000
Advisory and professional fees	*850*
Fees to relevant authorities	*60*
Printing and despatch of circulars, advertisement, and EGM expenses	*50*
Miscellaneous expenses	*40*
Total	***1,000***

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 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 Group and the profit guarantees of Be Top Group 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 Company 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 as part of its equity 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 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 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 was not achieved, 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.

*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 pursuant to MFRS 5 as the Board has approved the disposal of Be Top pursuant to the Disposal SSA. 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.

2.1.6 Liabilities to be assumed

GIL will be assuming the liabilities of the Foreign Assets pursuant to the Proposed Disposal.

For clarity purpose, as mentioned under Section 2.1.5 of Part A of this Circular, there is a quasi loan amounting to RM57.00 million by Sinotop to Be Top treated as part of the Company's net investment in Be Top since 2011. The quasi loan was structured to be an equity instrument in Sinotop instead of a receivable. Further, the quasi loan is recognised as part of the equity rather than a liability of Be Top Group, hence, the quasi loan is not assumed by GIL. Since the NA of Be Top Group (including the quasi loan) has already been taken into consideration in deriving the Disposal Consideration, the Board is of the view that this is fair and reasonable.

Sinotop will not be assuming any liabilities and guarantees of the Foreign Assets after the completion of the Proposed Disposal.

2.1.7 Information on Be Top

Be Top is a direct wholly-owned subsidiary of Sinotop and was incorporated in the BVI under the BVI Business Companies Act, 2004 on 19 January 2006 under the name of Be Top Group Limited.

The principal activity of Be Top is investment holding.

Be Top has a wholly-owned subsidiary, Top Textile, and a 50% joint venture company, HL Painting Co. (Unified Social Credit Code: 91320509314071792D), which is held through Top Textile.

As at the LPD, the issued share capital of Be Top is USD200 comprising 200 Be Top Shares.

As at the LPD, the directors of Be Top are Pan Ding and Pan Dong.

The summary of the audited consolidated financial statements of Be Top for the FYE 31 December 2016, the 18-month FPE 30 June 2018, FYE 30 June 2019 and the latest unaudited consolidated results of Be Top for the nine (9)-month FPE 31 March 2020 are set out in Section 7 of Appendix II of this Circular.

Further details on Be Top is set out in Appendix II of this Circular.

2.1.8 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(1)		(35,733)
		34,267
Less:		
(a) Assets classified as held for sale as at 30 June 2019(2)	119,312	
(b) Liabilities classified as held for sale as at 30 June 2019(3)	(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(4)		40,338
Statutory reserve as at 30 June 2019(5)		15,697
Estimated loss on disposal at Sinotop Group level		**(18,590)**

Notes:

(1) Based on the Assumed Liabilities as at 30 June 2019 for pro forma purposes which shall be subject to adjustment in accordance with the Supplemental Disposal SSA.

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(2) *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***

(3) *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***

(4) *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.*

(5) *The statutory reserve represents amounts transferred from the PAT of Top Textile established in the PRC in accordance with the PRC Laws and regulations and articles of association of Top Textile 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 Top Textile, 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.*

2.1.9 Mode of satisfaction of the Disposal Consideration

As at the date of the Disposal SSA, the Bidding Bond which forms part of the Cash Payment has been paid by GIL to the Company and the balance of RM67.00 million of the Disposal Consideration shall be satisfied in the following manner:-

(a) Upon obtaining the approval of the shareholders of Sinotop on the Proposed Disposal and subject to the satisfaction of GIL on the deliverables by Sinotop for Tranche 1 Completion, the First Cash Payment shall be paid to Sinotop by GIL within 30 days or such other date that the parties may mutually agree;

(b) Subject to the satisfaction of Tranche 1 Completion and the satisfaction of GIL on the deliverables by Sinotop for Tranche 2 Completion, the 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;

(c) Upon Sinotop receiving the approval from Bursa Securities on the Waiver Application and the satisfaction of the other remaining Disposal Conditions (as defined in Appendix I of this Circular), the occurrence of Tranche 2 Completion and satisfaction of GIL on the deliverables by Sinotop for Tranche 3 Completion, the Assumed Liabilities shall be transferred to GIL by the Company no later than the Cut-Off Date.

Payments made for any tranche of the Disposal Consideration under the Proposed Disposal shall be made without deductions (including taxes or charges). If the Proposed Disposal under the Disposal SSA which was supplemented by the Supplemental Disposal SSA should require any taxes or charges to be deducted under any applicable law of any jurisdiction before a payment is made or becomes payable, then the amount of the Disposal Consideration under the Proposed Disposal shall be increased so that the payment made will equal the amount due to Sinotop as if no such tax or charge had been imposed.

2.2 Proposed Capital Reduction

The Proposed Capital Reduction entails the reduction of Sinotop's share capital by RM86.00 million pursuant to Section 117 of the Act.

As at the LPD, the share capital of the Company is RM123,469,782 comprising 433,360,812 Sinotop Shares.

As at the LPD, the Company does not hold any treasury shares. The Proposed Capital Reduction will result in the reduction of the share capital of Sinotop from RM123.47 million to RM37.47 million. The Proposed Capital Reduction will give rise to a credit of RM86.00 million which will be utilised to set off the accumulated losses of Sinotop.

For illustration purposes, the Proposed Capital Reduction will have the following effects on the accumulated losses of Sinotop and Sinotop Group based on the Company's latest audited consolidated financial statements for the FYE 30 June 2019 and the latest unaudited consolidated financial statements for the nine (9)-month FPE 31 March 2020:

FYE 30 June 2019

	Audited as at 30 June 2019	
	Company level (RM'000)	**Group level (RM'000)**
Accumulated losses	(87,901)	(68,371)
Less: Estimated loss arising from the Proposed Disposal	-	(18,590)
Add: Credit arising from the Proposed Capital Reduction	86,000	86,000
Less: Estimated expenses incurred for the Proposals	(1,000)	(1,000)
Resultant accumulated losses	**(2,901)**	**(1,961)**

Nine (9)-month FPE 31 March 2020

	Unaudited as at 31 March 2020	
	Company level (RM'000)	**Group level (RM'000)**
Accumulated losses	(89,136)	(63,194)
Less: Estimated loss arising from the Proposed Disposal	-	(i)(24,892)
Add: Credit arising from the Proposed Capital Reduction	86,000	86,000
Less: Estimated expenses incurred for the Proposals	(1,000)	(1,000)
Resultant accumulated losses	**(4,136)**	**(3,086)**

Note:

(i) Estimated loss arising from the Proposed Disposal based on the unaudited consolidated financial statements of Sinotop for the nine (9)-month FPE 31 March 2020.

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2.3 Proposed Diversification

2.3.1 Details of the Proposed Diversification

On 12 December 2018, the Company announced the proposed disposal of its Foreign Assets for cash via an Open Tender exercise. Subsequently, the Disposal SSA for the Proposed Disposal was executed on 2 May 2019. Hence, at the end of the FYE 30 June 2019, the assets, liabilities and reserves of Be Top Group have been presented in the consolidated statement of financial position of Sinotop as "assets classified as held for sale", "liabilities classified as held for sale" and "reserves classified as held for sale" respectively, and its results are presented separately on the consolidated statement of profit or loss and other comprehensive income as "(loss)/profit after taxation from discontinued operations" in the Annual Report 2019 of Sinotop in accordance with the provisions in MFRS 5 – Non-current Assets Held For Sale and Discontinued Operations. Accordingly, the continuing operations of the Group comprise of the project management services and infrastructure construction business ("**Construction Business**") and investment holding (i.e. the Company).

In view of the slowdown in the Construction Business as well as the market conditions 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 Group, to allow the Company to strengthen the level of operations and financial performance of the Group.

Following the completion of the TAS Shares Acquisition 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.

2.3.2 Background information on TAS and DVSB

TAS was incorporated in Malaysia as a private limited company and is principally an investment holding company. As at the LPD, DVSB, a 56%-owned subsidiary of TAS 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 Class License by the Malaysian Communications and Multimedia Commission ("**MCMC**") for the provision of mobile internet messaging solutions utilizing SMS and wireless application protocol 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.

Subsequently on 16 December 2011, DVSB secured from MAMPU a build/operate/own ("**BOO**") contract (with an initial consideration of RM2.30 million in 2011). The scope includes: mySMS 15888 portal for government SMS communications; USSD (interactive SMS) services (myUSSD *158#); MMS portal (myMMS); various mobile applications (myApp); a one-stop portal called myMobile; and government payments app called myPay (now known as MyPay. This BOO contract 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 12 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.

The BOO contract was extended until 17 August 2018, after which the government policy was to decentralise the management of this arrangement on the government side (ownership of the products, especially MyPay, remain with DVSB). On 16 May 2018, MAMPU communicated with the 370 Government agencies in endorsing DVSB as the vendor for e-government services after the decentralisation.

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 applications. 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 quit rent, 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, PTPTN, Road Transport Department Malaysia, Majlis Bandaraya Subang Jaya, Majlis Bandaraya Petaling Jaya and Election Commission of Malaysia.

In February 2020, DVSB launched Malaysia's first digital bail payment solution, namely "eJamin".

DVSB runs mainly on a B2C model, where e-government services are offered at no cost to the government and a convenience fee charged to the user, usually at a nominal percentage of the transaction value. It also carries out software development work or SMS services, for which fees are charged to the client, usually government agencies.

The existing revenue streams are as follows:

	01	02	03	04	05	06
Business Models	MyPay Recurring	MyPay Seasonal	Volume	Business Empowerment APIs	Build to Order	Legacy
Summaries	Payment services offered in MyPay that users need regularly over a long term.	Payment services offered in MyPay that users need occassionally, at random.	Payment solutions operated for a specific, single purpose, with minimum annual revenue potential of RM15m.	Tech components (APIs) built by Dapat and rented out to other businesses.	Custom tech solutions built for customers, usually whitelabelled.	Solutions operating since our incorporation in 2000, with long term contracts remaining.
Revenue Models	Costs + Fee	Costs + Fee	Costs + Fee	Subscription + pay per use	Costs + % Margin	Costs + Fee

The summary of the on-going contracts/agreements relating to Government agencies in Malaysia is set out as follows:

No.	Government Agency / Counterparty	Revenue structure	Duration	Nature
1.	Construction Industry Development Board	Fixed fee[1]	23 June 2020	CIDB QLASSIC Portal
2.	Royal Malaysian Police	Fixed fee[1]	6 July 2020	Volunteer Smartphone Patrol application
3.	Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)	Fixed fee[1]	15 July 2020	SMS service. In process to extend the service contract
4.	ATX Distribution Sdn Bhd	Commission per transaction	Perpetual until terminated	Connection to various government agencies for payments through MyPay
5.	Majlis Perbandaran Subang Jaya	Commission per transaction	Perpetual until terminated	Payments through MyPay
6.	Jabatan Akauntan Negara	Fixed fee[2]	16 August 2020	SMS service. In process to extend the service contract
7.	Majlis Peperiksaan Malaysia	Fixed fee[2]	28 July 2021	Development of MUET Reading Component online examination
8.	Majlis Peperiksaan Malaysia	Commission per transaction	31 March 2021	SMS service
9.	Majlis Peperiksaan Malaysia	Commission per transaction	31 March 2021	Payments through MyPay
10.	Putrajaya Hospital	Fixed fee[2]	14 June 2021	SMS service
11.	Hospital Kuala Lumpur	Fixed fee[2]	16 August 2021	SMS service. In process to extend the service contract
12.	Perbadanan Tabung Pendidikan Tinggi Nasional	Commission per transaction	13 July 2022	Repayment of student loans through MyPay.
13.	Pejabat Setiausaha Kerajaan Negeri Selangor	Fixed fee[3]	Pending signing of service contract	SMS service.
14.	National Institute of Occupational Safety and Health	Fixed fee[3]	Pending signing of service	Upgrade of payment features

15.	Lembaga Zakat Selangor	Fixed fee[(3)]	Pending signing of service contract	SMS service
16.	Ministry of Education	Fixed fee[(3)]	Pending signing of service contract	Data retrieval on scholarships
17.	Majlis Amanah Rakyat (MARA)	Fixed fee[(3)]	Pending signing of service contract	SMS service

Notes:

(1) The total value of the completed fixed-fee contract with the Government agencies/counterparties is approximately RM2.35 million.

(2) The total value of the on-going fixed-fee contract with the Government agencies/counterparties is approximately RM1.28 million.

(3) The total value of the fixed-fee contract with the Government agencies/counterparties that are pending signing of service contracts is approximately RM0.46 million.

2.3.3 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 key management personnel.

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 the TAS Group. 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 Raja Hassan ("**Raja Irwan**"), who has nine years of experience in software engineering, data analytics and entrepreneurship. Raja Irwan heads a team of ten engineers. In the visionary and operations advisory role, Khairul Amanda Sabri ("**Amanda**") plays an effective part, sharing with DVSB her in-depth operations experience in the digital space. She has dived into her entrepreneurial passion since her early 20s in e-commerce, food and beverage, the digital market for property rentals as well as artificial intelligence and big data analytics.

The profile of the key management personnel is as follows:

(i) <u>Sabri Ab Rahman</u>

Sabri Ab Rahman ("**Sabri**"), a Malaysian aged 61,is the TAS Vendor who is the founder of TAS and Executive Director of DVSB. Sabri is a graduate of the Faculty of Business Management from Universiti Teknologi MARA in 1981. He has worked for several companies and industries including banking and finance, automobile, outdoor advertising, TV programme production & distribution, trading & sales and broadcasting.

Sabri has been actively involved in the development of private television operations in Malaysia since the inception of TV3, subsequently acquired Metrovision in 1996 and involved in consolidation of the TV3 group into Media Prima Berhad in 2000.

He started TAS (which provided TV programme contents besides advertising and broadcasting services) in 1992 and the incorporation of DVSB, in 2000. As an Executive Director in DVSB, Sabri oversees the implementation of digital solutions for e-government services.

Sabri is known in the broadcasting and communications industries for his work with some of the most prominent broadcasting and communications experts and specialists in Malaysia, as well as in the ASEAN region.

(ii) Khairul Amanda Sabri

Amanda, a Malaysian aged 32, graduated from King's College London with an Honours Degree in Law. She is the daughter to Sabri.

During her student days in London, she co-founded ShopShip Export Limited in 2010, an e-commerce business exporting luxury consumer goods from the United Kingdom to South East Asia prior to returning to Malaysia. In 2012, upon her return to Malaysia, Amanda joined Kelantan Delights Sdn Bhd (a Malay cuisine fine dining business) as the Head of Business Development. Thereafter, Amanda co-founded Trupco Hafta Private Limited in Singapore in 2016, an online solution for the short-term residential rental market for young executives and expatriates, which received seed investment from Telstra Australia. Subsequently, Amanda has relinquished all her roles in all the companies above.

In 2018, Amanda co-founded Iceberg Insights Limited in London, the product of a pivot towards analysing human behaviour using artificial intelligence. As the Chief Operating Officer, she currently operates this business remotely with a team of sales, artificial intelligence experts and psychometric experts globally. She is expected to relinquish all her roles in Iceberg Insights Limited by the end of August 2020.

She has been undertaking the operations advisory role in DVSB by sharing her in-depth operations experience in the digital space, and is expected to be fully on board to head DVSB operations in September 2020.

(iii) Raja Irwan Shah Raja Hassan

Hailing from Kuala Krai, Kelantan, Raja Irwan, a Malaysian, aged 34, graduated with a Bachelor's Degree in Science (Information Technology) from Universiti Teknologi MARA in 2010. He grew his skills in web & data engineering in several companies in the fields of education, e-commerce and credit data before serving as Chief Technology Officer at WinApp Inc. After 3 years in that role, he was elevated to Chief Executive Officer until he was recruited into DVSB for MyPay.

Irwan's decade of experience in software engineering, data analytics and entrepreneurship has also witnessed several accolades including winning the Experian Malaysia 2013 Hack Day and achieving finalist in the Malaysia OpenGov Hackathon organised by the Malaysian Administrative Modernisation and Management Planning Unit in 2015.

Fondly known as 'Shak' among the tech fraternity, Irwan shares his technical knowledge through training of young tech entrepreneurs and students, including training sessions at the Malaysian Global Innovation & Creativity Centre (MaGIC). He also taught a data science course at HELP University.

Not losing sight of the less fortunate, Irwan has also contributed in social empowerment projects including Tabungku, a crowdfunding platform to fund medical treatment, and KualaKrai[.ORG, a community run by youth volunteers focusing on motivation courses and donation campaigns to build the community in Kuala Krai, Kelantan.

The Board is of the opinion that the key management personnel have 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.

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3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Disposal

A summary of the financial information of Sinotop's manufacturing and sale of fabric products business housed under Be Top Group for the past three (3) financial years/period up to the FYE 30 June 2019 and the nine (9)-month FPE 31 March 2020 is set out as follows:

	Audited			Unaudited
	FYE 31 December 2016 (RM' million)	18-month FPE 30 June 2018 (RM' million)	FYE 30 June 2019 (RM' million)	Nine (9)-month FPE 31 March 2020 (RM' million)
Revenue(i)	171.89	206.61	109.88	79.50
PAT/(LAT)(i)	3.50	0.67	(5.29)	6.14
PAT margin (%)	2.04	0.32	(4.81)	7.73

(Source: Consolidated financial statements of Be Top and Management of Sinotop)

Note:

(i) The revenue and PAT/(LAT) of Sinotop's manufacturing and sale of fabric products business in Be Top Group, which were recorded in RMB, are converted to RM based on the exchange rates for the respective financial years/periods. Please refer to Section 7 of Appendix II of this Circular for further information on the financial information of Be Top Group.

Over the past three (3) FYE/FPE, the revenue of Be Top Group had declined from RM171.89 million to RM109.88 million. Resulting thereto, the PAT of Be Top Group had decreased significantly from RM3.50 million in the FYE 31 December 2016 to a LAT of RM5.29 million in FYE 30 June 2019. The PAT margin of Be Top Group had been shrinking over the past three (3) FYE/FPE, from 2.04% in the FYE 31 December 2016 to a net loss margin of 4.81% in the FYE 30 June 2019.

For the nine (9)-month FPE 31 March 2020, Be Top Group recorded a revenue and PAT of approximately RM79.50 million and RM6.14 million respectively, mainly on the back of relatively higher sales revenue recorded in the months of July to December, which traditionally are peak seasons for fabric production business, writeback of allowance for impairment loss on trade receivables provided for in the previous financial year and other income derived from short term investment. However, due to the coronavirus outbreak in China since January 2020 which has caused an overwhelming impact on the individuals, businesses and industries in the PRC, the business operations of Be Top Group has been disrupted and adversely affected.

The factors that had adversely affected Sinotop's fabric production business in Be Top Group are set out below:

(i) Low demand and profit margin for Be Top Group's fabric products arising from stiff competition

In the textile industry, apparel companies which sell their products directly to consumers are able to influence the prices of its suppliers' products and services along the supply chain established by these apparel companies in order to keep their production and holding costs low. Be Top Group is among the suppliers that sell to these apparel companies.

The competition for the apparel companies' businesses among the global fabric suppliers had forced suppliers such as Be Top Group to reduce its production output and selling prices of its products and services which in turn has led to the reduction of revenue, income and profit margin in the fabric segment.

(ii) Rising cost of labour

PRC's one-child policy has been in place for over 35 years and has inevitably skewed the age and demographic profiles of its population. Generation born under the one-child policy has shrunk the country's employable labour force. Nowadays, the younger generation in the working class is unwilling to work in factories or leave their hometowns to work in faraway places. Apart from the afore-mentioned, the country is facing an ageing population as well, which aggravates the increase in labour costs.

(iii) Stringent regulatory requirements and high operational costs

The compulsory switch from the use of coal to liquefied natural gas imposed by the government on grounds of environmental preservation has directly impacted the production overheads and profit margin of Be Top Group. The rising operational costs has adversely impacted Be Top Group's competitive edge.

Based on the deteriorating financial performance of Be Top Group, eroding profit margin and the competitive business environment, the Board proposed to dispose its investment in Be Top Group. In addition, the Board had also taken cognisance of the trade-war dispute between the USA and PRC. Even though most of Top Textile's direct customers are companies originating from PRC, most of its customers export their products to overseas markets which include the USA. Hence, the speculation and uncertainty arising from the trade war between the USA and PRC would adversely impact the businesses of Top Textile's customers, which would in turn impact Top Textile's business. Further, as mentioned earlier, the Company also expects that the global coronavirus pandemic will have a negative impact to the financial performance of Be Top Group. As such, the Proposed Disposal provides an opportunity for the Company to exit from the increasingly challenging fabric production business in the PRC.

As mentioned above, the challenges faced by Be Top Group had resulted in deteriorated financial performance in the past FYEs which the fabric production business has not been able to generate the expected return for the Group. As such, the Board is of the view that it is not viable for the Group to continue the business operations of Be Top after having considered the above factors. In addition, the Proposed Disposal will also enable Sinotop to utilise the proceeds from the Proposed Disposal for the New Investment in TAS and working capital of the Group. This will allow the Group to allocate more resources to strengthen and expand its mobile and digital solutions businesses, which is expected to be earnings-accretive for Sinotop Group.

In addition, the completion of the Proposed Disposal in three (3) tranches pursuant to the Supplemental Disposal SSA as detailed in Section 2.1.9 of Part A of this Circular, enables the Company to receive progressive payment from GIL, yet the progressive completion will not result in the Company being classified as an Affected Listed Issuer as the Tranche 3 Completion for 52% equity interest in Be Top is conditional upon *inter alia* the approval from Bursa Securities on the Waiver Application.

3.2 Proposed Capital Reduction

The Proposed Capital Reduction will enable the Company to rationalise its financial position by eliminating the accumulated losses at the Company level. The reduced share capital pursuant to the Proposed Capital Reduction will also more accurately reflect the value of the underlying assets and the financial position of the Company.

Further, the elimination of the accumulated losses from the statement of financial position of the Company would ease the Company's ability to declare dividends from its future available profits and provide a better financial platform for the Group's future growth moving forward.

3.3 Proposed Diversification

As set out in Section 2.3.1 of Part A of this Circular, 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 NA.

The Proposed Diversification will enable Sinotop to diversify into a new business via TAS Group 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. As at the LPD, TAS and HTP holds 56% and 44% shareholdings, respectively in DVSB. By investing in TAS through the TAS Shares Acquisition, which eventually TAS 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.

4. RISK FACTORS

4.1 Risk factors in relation to the Proposed Disposal

4.1.1 Non-completion of the Proposed Disposal

The completion of the Proposed Disposal will be conditional upon the Disposal Conditions being satisfied or obtained, which includes but not limited to the approval from the shareholders of Sinotop and the approval of Bursa Securities on the Waiver Application.

There can be no assurance that the Proposed Disposal will not be exposed to risks such as the inability to satisfy or obtain the Disposal Conditions within the timeframe or other obligations set for the parties as contained in the Disposal SSA which was supplemented by the Supplemental Disposal SSA. However, Sinotop will take and continue to take all reasonable steps to ensure the completion of the Proposed Disposal.

4.1.2 Loss of potential future revenue and earnings

Upon completion of the Proposed Disposal, the Group will no longer derive any revenue and earnings contribution from Be Top Group.

Notwithstanding this, as mentioned in Section 3.1 of Part A of this Circular, over the past three (3) FYE/FPE, the revenue of Be Top Group had been declining and the PAT had decreased significantly with a LAT recorded in FYE 30 June 2019.

To compensate for the loss of future income from Be Top Group, the Group intends to utilise the proceeds from the Proposed Disposal for the new mobile and digital solutions businesses and working capital purposes of the Group to generate future earnings for the Group. Further details of the prospects of the remaining business of Sinotop Group is set out in Section 5.3 of Part A of this Circular.

4.1.3 Listing status

The Proposed Disposal is deemed a major disposal pursuant to Paragraph 10.11A of the Listing Requirements.

Sinotop may 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 and will endeavour to take the necessary steps to maintain an adequate level of operations through the New Investment in TAS.

- **Cash Company under Paragraph 8.03(1) and PN 16 of the Listing Requirements**

  Pursuant to Paragraph 8.03(1) and PN 16 of the Listing Requirements, Bursa Securities may consider Sinotop as a cash company upon completion of the Proposed Disposal. A company may be considered as a cash company when its assets, on a consolidated basis, consists of 70% or more of cash or short-term investments, or a combination of both ("**Cash Criterion**"). Sinotop is required to immediately notify Bursa Securities when its assets trigger the Cash Criterion. Bursa Securities will determine whether Sinotop will be considered a cash company and will notify Sinotop of its decision.

  Pursuant to Paragraph 8.03(4) and PN 16 of the Listing Requirements, in the event that Sinotop is classified as a cash company, at least 90% of its cash and short-dated securities, including existing cash and the net proceeds from the Proposed Disposal (after deducting transaction costs), must be placed in an account opened with a financial institution licensed by Bank Negara Malaysia and operated by a custodian. The amount placed in this account can only be utilised for the proposed acquisition of a business/asset approved by the SC or for distributions to shareholders in the event Sinotop does not successfully implement a proposal to acquire a business/asset within the stipulated timeframe.

  A cash company is required to submit a regularisation plan pursuant to Paragraph 8.03(5) and PN 16 of the Listing Requirements, which encompasses submitting a proposal to acquire a new core business to the SC for its approval, and implement such proposal within the timeframe prescribed by the SC. Bursa Securities may suspend the trading of the listed securities of the Company or de-list the Company if the Company fails to comply with these requirements or if its proposal is rejected by the SC.

  Based on the pro forma consolidated statements of financial position of Sinotop as at 30 June 2019 compiled by the Directors (accompanied by report issued by Mazars) as set out in Appendix IV of this Circular, upon completion of the Proposed Disposal, the cash or short-term investment of the Group, or a combination of both represents approximately 48% of the pro forma total assets of the Group upon completion of the Proposed Disposal.

  Accordingly, the Board is of the view that Sinotop will not trigger the criteria for a cash company under Paragraph 8.03(1) and PN 16 of the Listing Requirements immediately upon completion of the Proposed Disposal.

- **Level of operations under Paragraph 8.03(A) of the Listing Requirements**

  Pursuant to Paragraph 8.03(A) of the Listing Requirements, the following are circumstances which indicate that a listed issuer may not have a level of operations that is adequate to warrant continued trading or listing on the Official List:

  (a) the listed issuer has suspended or ceases:
    (i) all of its business or its major business; or
    (ii) its entire or major operations,

    for any reason whatsoever including, amongst others, due to or as a result of:

    (aa) the cancellation, loss or non-renewal of a licence, concession or such other rights necessary to conduct its business activities;

(bb) the disposal of the listed issuer's business or major business; or

(cc) a court order or judgment obtained against the listed issuer prohibiting the listed issuer from conducting its major operations on grounds of infringement of copyright of products etc; or

(b) the listed issuer has an insignificant business or operations.

If Sinotop triggers the inadequate level of operations pursuant to Paragraph 8.03A of the Listing Requirements, the Company must comply with the following, failing which Bursa Securities may suspend the trading of the listed securities of the Company or de-list the Company, or both:

(a) immediately announce to Bursa Securities of the Company's condition and provide such information from time to time for public release in accordance with the disclosure obligations set out in Paragraph 4.0 of PN 17 of the Listing Requirements, with the necessary modifications;

(b) regularise its condition by complying with the requirements set out in Paragraph 8.04(3) and Paragraph 5.0 of PN 17 of the Listing Requirements, with the necessary modifications; and

(c) comply with other requirements or do such other acts or things as may be prescribed or required by Bursa Securities.

Where Bursa Securities approves the aforementioned regularisation plan of Sinotop, such approval may be unconditional or subject to such conditions, as it deems fit. If the regularisation plan is rejected by Bursa Securities, Sinotop may appeal against the decision of Bursa Securities within 30 days from the date of rejection.

However, Sinotop may not need to comply with the abovementioned requirements, provided that:

(a) the Company is able to demonstrate to the satisfaction of Bursa Securities that its remaining business upon completion of the Proposed Disposal are viable, sustainable and has growth prospects, supported with appropriate justifications; and

(b) in the view of Bursa Securities that Sinotop's level of operations warrant continued trading or listing on the Official List.

Whilst the Proposed Disposal signifies the disposal by Sinotop of its major business, it is the intention of the Board to maintain the listing status of Sinotop on the Main Market 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 USA 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 new mobile and digital solutions businesses which are expected to be earnings-accretive for Sinotop;

(b) Upon completion of the Proposed Disposal, the Group will 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 the DVSB Profit Guarantee. TAS Vendor together with the key management as set out in the Section 2.3.3 of Part A of this Circular will continue spearheading the business and operations of the TAS Group. 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 the Waiver Application to Bursa Securities from being classified as an Affected Listed Issuer under Paragraph 8.03A of the Listing Requirements 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. The Waiver Application will be submitted to Bursa Securities upon obtaining the approval of the shareholders of Sinotop on the Proposed Disposal at the EGM to be convened.

In the event that the Waiver Application, being part of the conditions for the Tranche 3 Completion, is rejected by Bursa Securities, the transfer of the Tranche 3 Sale Shares will not happen and the Tranche 3 Completion will not take place. Accordingly, Be Top will then remain as a 52%-owned subsidiary of Sinotop. Hence, the issue of inadequate level of operation will be mitigated with Be Top remains as a subsidiary and Sinotop can still maintain its listing status on the Main Market of Bursa Securities.

4.2 Risk factors in relation to the Proposed Diversification

4.2.1 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.

4.2.2 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.

4.2.3 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 2.3.3 of Part A of this Circular. 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 solution 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.

4.2.4 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 adopts 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 its experience and expertise, 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.

4.2.5 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 research & development ("**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.

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5. INDUSTRY OVERVIEW AND PROSPECTS OF THE GROUP

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 spillovers 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.

Against the backdrop of growing uncertainty over the duration and overall impact of the COVID-19 outbreak, the World Bank’s GDP growth forecast for 2020 has been significantly lowered from 4.5 percent to –0.1 percent. This marked reduction incorporates the slower growth momentum from the second half of 2019, but more significantly, it reflects the impact of the outbreak under a scenario where the current large-scale disruption of economic activities would extend for most of the year, before a partial recovery toward the year end. It is important to note that this estimate has a large degree of uncertainty, conditional on the rapid developments of the outbreak domestically and globally, and the subsequent policy responses.

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)

The Malaysia economy moderated sharply to 0.7% in the first quarter of 2020 (4Q 2019: 3.6%). On the supply side, the services and manufacturing sectors moderated while the other sectors contracted. In terms of expenditure, external demand and investments declined, while private consumption growth moderated. On a quarter-on-quarter seasonally-adjusted basis, the economy contracted by 2.0%. The moderation reflected the impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic. Domestically, it mainly reflected the implementation of the Movement Control Order ("MCO"). After a steady expansion in the first two months of the quarter, economic activity came to a sharp downshift with the implementation of the MCO on 18 March 2020. Movement restrictions including international and domestic travel restrictions, limited work and operating hours and mandatory social distancing significantly curtailed economic activity. Production was only permitted for essential goods and services and the industries integral to their supply chains. Labour-intensive and consumer-oriented sectors were also impacted. During the quarter, headline inflation remained modest at 0.9%, mainly reflecting the lapse in the remaining impact from Sales and Services Tax (SST) implementation and lower price-volatile inflation. Core inflation moderated slightly to 1.3%

Aside to that, the global and Malaysian economic outlook for 2020 will be significantly impacted by the COVID-19 pandemic as strict measures to contain the spread of the pandemic, will weigh considerably on both external demand and domestic growth. The Malaysian economy is expected to contract in the second quarter. This reflects the longer duration of containment measures both globally and domestically. As these containment measures are eased and the domestic MCO is lifted, economic activity is expected to gradually improve in 2H 2020. The sizable fiscal, monetary and financial measures and progress in transport-related public infrastructure projects will provide further support to growth in 2H 2020. In line with the projected improvement in global growth, the Malaysian economy is expected to register a positive recovery in 2021. Average headline inflation in 2020 is likely to turn negative, due mainly to projections of substantially lower global oil prices. Going forward, the outlook of headline inflation remains significantly affected by global oil and other commodity prices including food, as well as evolving demand conditions. Underlying inflation is expected to be subdued amid the projections of weaker domestic growth prospects and labour market conditions.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2020, Bank Negara Malaysia)

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 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.

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 controlled movement order that took effect from 18 March 2020 and has since been extended on a bi-weekly basis to 28 April 2020. Under the movement controlled order ("MCO") imposed on 18 March 2020, companies involved in the production of non-essential products and services were required to cease operations until 28 April 2020. A conditional MCO ("CMCO") was announced on 1 May 2020 and took effect from 4 May 2020 to replace the MCO to contain the spread of Covid-19 in the country. The CMCO was imposed to allow several economic sectors to resume operations, subject to adopting standard operating procedures set by Malaysia's Ministry of Health. Subsequently, the Government of Malaysia announced a recovery MCO ("RMCO") period which will take place from 10 June 2020 to 31 August 2020. The RMCO is a new phase that allows for more lenient restrictions to allow the public to carry out their daily activities while complying to the standard operating procedures. The imposition of the RMCO is in line with the improving Covid-19 situation in the country.

The imposition of the controlled movement order 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 controlled movement order regulations.

Mobile messaging and mobile payment application in the public sector in Malaysia

Messaging can take many forms and typically comprises those that are inherently built into mobile devices. The most widely known of these are text messages or short messaging services ("**SMS**"). SMS messages typically have a limit of 160 characters in Latin-based alphabets and enable users to communicate via text between mobile devices; or also from a computer to mobile devices via an SMS gateway which provides an interface that allows users to send many text messages at the same time. The latter is known as bulk messaging.

Unstructured Supplementary Service Data (**"USSD"**) allows users of mobile devices to communicate directly with their mobile network operator's computers, which in some cases then link to a third-party service provider. It is accessed by dialling a number that starts with an asterisk (*) and ends with a hash (#). USSD generally appears as a text-based menu interface that callers can use to navigate and input information. It is often used for messaging that requires multiple responses, as multiple interactions can take place during one USSD session.

Unlike SMS, connecting via USSD is generally free to the user and any text called up during the session is not stored on the mobile device. This is in contrast to SMS messages, which are stored on the mobile device until actively deleted by the user, or until the mobile device's memory is full. Setting up a USSD service is more complicated than SMS and requires an agreement with the mobile network operator or an aggregator, which are third-party service providers that negotiate agreements directly with the mobile network operator.

Multimedia messaging service (**"MMS"**), is a protocol accepted on most feature phones that enables users to send and receive audio images and videos. The current protocol for MMS only allows sending messages up to a maximum of 600 kilobytes (kb).

The myGov Mobile service is an initiative of the Government of Malaysia to allow the public to access government services easily and simply, anywhere in real time through mobile phones and mobile devices. MyGov Mobile aims to increase the efficiency of Malaysia's public service delivery system; facilitate public access to public services via mobile phones and smart devices; and ensure reasonable charges are imposed so that these services become accessible to all levels of society. Currently, more than 200 government bodies, comprising ministries, government agencies as well as public universities have participated in the myGov Mobile initiative.

Services offered on myGov Mobile

Service	Description
mySMS	SMS via the shortcode 15888
myUSSD	Unstructured supplementary service data (USSD) or 'flash SMS' service using the *158# code
myMMS	Multimedia messaging service (MMS) via the shortcode 15888
myApp	Government mobile application that can be downloaded using smart devices
myPay	Government mobile payment services via mobile phone
myGov Mobile portal	Portal featuring all Government services on myGov Mobile in both desktop and mobile views

Source: MAMPU

The use of mySMS for broadcasting public service messages among users in Malaysia grew at an impressive CAGR of 68.9%, from 224,000 transactions in 2008 to 14.8 million transactions in 2016. [1] Among the broadcast messages that were disseminated to the public during this period were related to reminders on income tax returns as well as natural disaster alerts.

Users could also leverage on mySMS to communicate with government agencies that participated in the myGov Mobile initiative. Users were able to enjoy information and document of demand with selected government agencies. With information on demand, users can request via SMS for specific information, such as licence application status checks and examination results. Document by demand is a service that documents requested by SMS to be pushed to user's email. Such documents include,

[1] Latest available data as at 24 July 2020

among others, job application forms, road safety tips and train schedules. The use of mySMS for agency communication rose from 50 transactions in 364 transactions in 2016 at a CAGR of 28.2%.[2]

The yearly hits for myUSSD grew at a CAGR of 329.6%, rising from 7,375 hits in 2012 to 2.5 million hits in 2016.[3] MyUSSD is a service offered by Government in an effort to enhance government services through an alternative channel, via the USSD technology. Users will experience browsing through an agency's offering via mobile phone with no downloads required. myUSSD works on almost all phone models, including non-smartphones and smartphones. Internet connection is not required to access myUSSD. Users can access government services by dialling the short code of *158# and pressing "CALL" to start using myUSSD services. The application will respond with a menu, listing government services that are accessible to the user. Among others, users can check their application status of MyKAD with the National Registration Department or check payment status of pension disbursements with the Public Service Department.

With myPay, users can make electronic payments to government agencies via smartphone devices. This initiative was introduced to encourage online payment for government services. Because payments can be made online beyond counter operating hours, myPay is able to improve the efficiency of service delivery to meet user needs. Transactions on myPay increased from 49 transactions in 2013 to 30,989 transactions in 2016 at a CAGR of 758.4%.[4]

The implementation of myGov Mobile is supported by the high penetration rate of mobile phones in Malaysia and high internet subscription rates, coupled with the development of mobile phone technology. According to the ITU, Malaysia's mobile phone penetration rate rose from 76.1% in 2005 to 135.4% in 2019. Further, the penetration of smartphones in Malaysia was at 75.9% in 2017. Mobile devices, and particularly smartphones, are becoming a major part of the lifestyle for Malaysians who use it as a platform for communication, obtaining information, socialising, entertainment and performing banking activities. MyGov Mobile service is envisioned to become the main initiative encouraging the use of online government services.

Under the Communications and Multimedia Act 1998, there are four categories of licensable activities:

- **Network facilities provider license**
  Applicable to owners of facilities such as satellite earth stations, broadband fibre optic cables, telecommunications lines and exchanges, radio-communications transmission equipment, mobile communications base stations, and broadcasting transmission towers and equipment. They are the fundamental building block of the convergence model upon which network, applications and content services are provided.

- **Network services provider license**
  Applicable to companies that provide the basic connectivity and bandwidth to support a variety of applications. Network service enables connectivity or transport between different networks. A network service provider is typically also the owner of the network facilities. However, these services may also be provided by a person using network facilities owned by another.

- **Application service provider license**
  Applicable to companies that provide particular functions such as voice services, data services, content-based services, electronic commerce and other transmission services. Applications services are essentially the functions or capabilities, which are delivered to end-users.

- **Content applications service provider license**
  Applicable to a specific subset of applications service providers including traditional broadcast services and the latest services such as online publishing and information services.

[2] Latest available data as at 24 July 2020
[3] Latest available data as at 24 July 2020
[4] Latest available data as at 24 July 2020

Within each license category there are two types of licenses, namely individual and class whereby the:

- individual licence requires a high degree of regulatory control for a specified person to conduct a specified activity and may include special conditions; and
- class license is designed to promote industry growth and development with easy market access.

Industry players that are involved in the development, operations and maintenance of mobile messaging and mobile payment applications for the private and public sector are required to possess an application service provider license. This segment of the industry is competitive, with 112 registered class licensees competing for, among others, messaging services, directory services, internet access services, internet protocol (IP) telephony and public cellular services.

Number of licenses until 31 December 2019

	Number of licenses		
	Individual	Class [a]	Total
Network facilities provider	213	7	**220**
Network service provider	176	6	**182**
Application service provider	-	112	**112**
Content application service provider	52	1	**53**
Total	**441**	**126**	**567**

Note:
[a] Class license is registered for a period of one year
Source: MCMC
(Source: Providence Strategic Partners)

5.3 Prospects of the Proposed Diversification and Sinotop Group

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. In 2011, DVSB has secured a BOO contract from MAMPU, which allows DVSB to access and develop small application and connection services for 370 Government agencies and departments in Malaysia. Following the decentralisation, DVSB has secured the following contracts/agreements directly from some of the 370 Government agencies, as set out below:

No.	Government Agency / Counterparty	Revenue structure	Duration	Nature
1.	Majlis Perbandaran Subang Jaya	Commission per transaction	Perpetual until terminated	Payments through MyPay
2.	Jabatan Akauntan Negara	Fixed fee[(1)]	16 August 2020	SMS service. In process to extend the service contract
3.	Majlis Peperiksaan Malaysia	Fixed fee[(1)]	28 July 2021	Development of MUET Reading Component online examination

4.	Majlis Peperiksaan Malaysia	Commission per transaction	31 March 2021	SMS service
5.	Majlis Peperiksaan Malaysia	Commission per transaction	31 March 2021	Payments through MyPay
6.	Putrajaya Hospital	Fixed fee[(1)]	14 June 2021	SMS service
7.	Hospital Kuala Lumpur	Fixed fee[(1)]	16 August 2021	SMS service. In process to extend the service contract
8.	Perbadanan Tabung Pendidikan Tinggi Nasional	Commission per transaction	13 July 2022	Repayment of student loans through MyPay.

Note:

(1) The total value of the on-going fixed-fee contract with the Government agencies is approximately RM1.28 million.

(2) The estimated profit from the on-going contract with the Government agencies is unable to determine at this junction as the some of the on-going contract are based on commission base per transaction.

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 now available in courts nationwide. On 3 July 2020, DVSB launched MyPay's digital payments, digital financing and e-wallet features, a collaboration between DVSB, PTPTN, Bank Islam Malaysia Berhad (BIMB) and Fass Payment Solutions Sdn Bhd ("**FassPay**").

DVSB does not require regulatory approvals for the Shariah-compliant digital financing and e-wallet features due to the following reasons:

(a) the digital financing feature is in lead generation and does not include any activity requiring licensing under the Islamic Financial Services Act 2013; and

(b) the e-wallet is a white label of an existing e-wallet provider, FassPay, which is licensed with Bank Negara Malaysia as a non-bank e-money issuer. Nevertheless, the MyPay app build of the e-wallet feature requires Bank Negara Malaysia's approval; submission is scheduled end-August 2020 and approval may take 2 weeks.

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 2008, DVSB has a track record of 12 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 Application Programming Interface ("**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.

6 EFFECTS OF THE PROPOSALS

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

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

The effect of the Proposed Disposal and Proposed Capital Reduction on the share capital 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 Proposals on the share capital of Sinotop are as follows:

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

Note:

The Proposed Capital Reduction will not have any effects on the number of Sinotop Shares.

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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:

	Audited as at 30 June 2019 (RM'000)	(I) After the TAS Shares Acquisition (RM'000)	(II) After (I) and the Proposed Capital Reduction (RM'000)	(III) 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 RM175,000 in relation to the TAS Shares Acquisition.*

(ii) *After crediting the Proposed Capital Reduction of RM86.00 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 in Section 2.1.8 of Part A of this Circular 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)	(iii)(93,632)
Number of Sinotop Shares issued ('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 issued.

(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 Proposals will not have any effect on the shareholdings of the substantial shareholders of Sinotop.

6.5 Convertible securities

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

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Sinotop Shares traded on Bursa Securities for the past 12 months from July 2019 to June 2020 are as follows:

	High RM	Low RM
<u>2019</u>		
July	0.260	0.200
August	0.215	0.185
September	0.215	0.160
October	0.175	0.140
November	0.145	0.085
December	0.235	0.110
<u>2020</u>		
January	0.200	0.130
February	0.160	0.110
March	0.140	0.080
April	0.445	0.090
May	0.550	0.270
June	0.765	0.405
Last transacted market price of Sinotop Shares on 30 April 2019, being the last market day prior to the announcement of the Proposed Disposal, Proposed Capital Reduction and Proposed Share Consolidation on 2 May 2019, was RM0.300		
Last transacted market price of Sinotop Shares on 17 June 2020, being the last market day prior to the announcement of the Proposals on 18 June 2020, was RM0.570		
Last transacted market price of Sinotop Shares as at the LPD, was RM0.470		

(Source: Bloomberg)

8. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSALS

The Proposals are subject to and conditional upon approvals being obtained from the following:

(i) shareholders of Sinotop for the Proposals at the EGM of the Company to be convened; and

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

The Proposed Disposal, 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 FPE 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.

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

9.1 Proposed Disposal

As at the LPD, the details of the nature of interests of the Interested Directors are as follows:

(i) Pan Ding

Pan Ding, who is the Group Managing Director/Executive Director and a major shareholder of Sinotop, is deemed interested in the Proposed Disposal by virtue of him being a Director and the sole shareholder of GIL.

As at the LPD, Pan Ding's shareholding in Sinotop is as follows:

	Direct		Indirect[i]	
	No. of Sinotop Shares ('000)	%	No. of Sinotop Shares ('000)	%
Pan Ding	-	-	225,125	51.95

Note:

(i) Deemed interested by virtue of his shareholding in GIL pursuant to Section 8 of the Act.

(ii) Pan Dong

Pan Dong, who is an Executive Director of Sinotop, is deemed interested in the Proposed Disposal by virtue of him being a person connected to Pan Ding. Pan Ding and Pan Dong are brothers.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings and approving the Board circular resolutions pertaining to the Proposed Disposal.

As GIL emerged as the winning bidder pursuant to the Open Tender, the Interested Directors and GIL will abstain from 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 EGM to be convened. Accordingly, the Interested Directors and GIL will also undertake to ensure that persons connected to them shall abstain from voting in respect of their direct and/or indirect shareholdings in Sinotop, if any, on the resolution pertaining to the Proposed Disposal to be tabled at the EGM to be convened.

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

9.2 Proposed Capital Reduction

None of the Directors, major shareholders of Sinotop and/or persons connected with them have any interest, directly or indirectly in the Proposed Capital Reduction.

9.3 Proposed Diversification

None of the Directors, major shareholders of Sinotop and/or persons connected with them have any interest, directly or indirectly in the Proposed Diversification.

10. TRANSACTIONS WITH THE INTERESTED DIRECTORS, INTERESTED SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM FOR THE PRECEDING 12 MONTHS

Save for the Proposed Disposal, there have been no other related party transactions entered into between Sinotop Group with Pan Ding, Pan Dong, GIL and/or persons connected with them for the 12 months preceding the LPD.

11. DIRECTORS' STATEMENT/RECOMMENDATION

The Board (save for the Interested Directors in respect of the Proposed Disposal), having considered and deliberated on all aspects of the Proposals including the terms and conditions, rationale, pro forma effects of the Proposals to the Group as well as the evaluation of AER as set out in Part B of this Circular, is of the opinion that the Proposals are fair and reasonable and in the best interests of Sinotop Group and recommends that you vote in favour of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

GIL has confirmed that they have sufficient financial means and resources to pay for the Disposal Consideration. In reliance on the confirmation by GIL, our Board (save for the Interested Directors) is satisfied that GIL has adequate financial means and resources to acquire Be Top.

12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company, after having considered all relevant aspects of the Proposed Disposal (including but not limited to the terms and conditions, rationale, pro forma effects of the Proposed Disposal on the Group as well as the evaluation of AER as set out in Part B of this Circular) is of the opinion that the Proposed Disposal is in the best interests of the Company, fair, reasonable, on normal commercial terms and are not detrimental to the interests of the minority shareholders of the Company.

13. ADVISERS

IPS was appointed as the Principal Adviser for the Proposals by Sinotop.

Astramina was appointed as the Financial Adviser for the Proposals by Sinotop.

Mazars is the Reporting Accountant appointed for the Proposals by Sinotop.

Considering that the Proposed Disposal is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements, the Company had appointed AER as the Independent Adviser to:

(i) comment as to whether:

   (a) the Proposed Disposal is fair and reasonable so far as the shareholders of Sinotop are concerned;

   (b) the Proposed Disposal is detrimental to the non-interested shareholders of the Company;

   and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise the non-interested shareholders of the Company whether they should vote for or against the resolution pertaining to the Proposed Disposal to be tabled at an EGM; and

(iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in paragraphs (i) and (ii) above.

In addition, since the Proposed Disposal also represents a major disposal pursuant to Paragraph 10.11A of the Listing Requirements, AER shall also:

(i) comment as to whether the Proposed Disposal is fair and reasonable in so far as the shareholders of Sinotop are concerned, including the reasons for the key assumptions made and the factors taken into consideration in forming that opinion. In arriving at such opinion, AER should comply with the relevant provisions relating to an independent adviser's recommendation in Schedule 2, Part III of the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC;

(ii) advise the shareholders of Sinotop on whether they should vote in favour of the Proposed Disposal; and

(iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in paragraphs (i) and (ii) above.

14. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Disposal will be completed as follows in accordance with Section 2.1.9 of Part A of this Circular:

Event	**Tentative Timeline**
Tranche 1 Completion	Upon the First Cash Payment by GIL to Sinotop within 30 days from the EGM
Tranche 2 Completion	Upon the Second Cash Payment by GIL to Sinotop no later than 60 days from the date of the First Cash Payment is paid
Tranche 3 Completion	Upon transfer of the Assumed Liabilities to GIL by Sinotop no later than 12 months from the date of the Supplemental Disposal SSA, i.e. 18 June 2021

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 Act.

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

15. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION

As at the LPD, save for the Proposals and Proposed Change of Name, there are no other outstanding proposals which have been announced by the Company but are pending completion.

16. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at Concorde 1, Lobby Level, Concorde Hotel, 2, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Friday, 21 August 2020 at 10.00 a.m., for the purpose of considering, and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals.

If you are unable to attend, participate, speak or vote in person at the EGM and wish to appoint a proxy, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited 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 not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The completion and lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

You are advised to refer to the following for further information:

(i) Part B of this Circular for the IAL in relation to the Proposed Disposal; and

(ii) the enclosed appendices set out in this Circular.

Yours faithfully
For and on behalf of the Board
SINOTOP HOLDINGS BERHAD

DATUK DR. NG BEE KEN
Independent Non-Executive Chairman

PART B

INDEPENDENT ADVICE LETTER FROM AER TO THE NON-INTERESTED SHAREHOLDERS OF SINOTOP IN RELATION TO THE PROPOSED DISPOSAL

Definitions

All definitions used in this IAL including those in the Executive Summary shall have the same meanings as the words and expressions provided in the Circular and appendices of the Circular, except where the context otherwise requires or where otherwise defined in the table below.

"Comparable Companies"	Be Top Group manufactures customized woven loom-state fabrics from cotton, synthetic / mixed yarns. For the purpose of determining the fair equity value of Be Top Group, a set of listed companies that are listed in China and Hong Kong, operating in the similar industry as Be Top Group are chosen for the purpose of determining the relative valuation metrics
"EBITDA"	Earnings before interest, tax, depreciation and amortization
"FCFE"	Free Cash Flow to Equity, is an intrinsic equity valuation approach. This method is suitable for ascertaining the fair equity valuation if projected cash flows could be assessed with reasonable certainty
"g"	Annual sustainable growth rate
"JMI"	John Master Industries Berhad (now known as Sinotop), a company incorporated in Malaysia with company registration number 114842-H. Upon completion of the acquisition of Be Top Group by JMI in 2010, the name of JMI was subsequently changed to Sinotop.
"Justified P/B" Or "Fair P/B"	P/Bo = 1 + [ROE – r] / [r – g]. The justified P/Bo could be interpreted in the following manner: - - A company with a ROE that exceeds r, warrants a fair price to book of **greater** than one time multiple - A company with a ROE that is below r, warrants a fair price to book that is **lesser** than one time multiple
"P/B"	Price to Book Ratio or Price to Book Multiple
"P/E"	Price to Earnings Ratio or Price to Earnings Multiple
"Purchaser"	Gifted Investments Limited or GIL
"r"	Cost of equity
"ROE"	Return on common equity. The return on equity ratio formula is calculated by dividing net income by shareholder's equity.
"RVA"	Relative Valuation Approach is a market based relative equity valuation approach. This method is suitable for ascertaining the fair equity valuation when used in conjunction with financial analysis to determine the fair equity value of a company by observing the trading multiples of the comparable companies in a similar industry that trades in an active market.

"Vendor"	Sinotop Holdings Berhad or Sinotop

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Executive Summary

We have prepared this IAL to provide the non-interested shareholders of Sinotop an independent evaluation of the Proposed Disposal and to express our recommendation thereon. This Executive Summary is intended to be a brief summary of this IAL, highlighting the salient information of the Proposed Disposal. We advise you to read both this IAL together with the Circular and its enclosed appendices for any other relevant information. The non-interested shareholders of Sinotop should consider carefully the recommendations herein before voting on the relevant resolutions pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of the Company.

1. INTRODUCTION

On 12 December 2018, Sinotop proposed to dispose its Foreign Assets (Be Top Group) for cash via an Open Tender exercise.

The closing date for the Non-Binding Offer in relation to the Open Tender managed by the Tender Administrator was on 8 January 2019. On 11 January 2019, the Company had issued the notice to the sole shortlisted bidder, namely GIL. The Non-Binding Offer by GIL is to acquire the entire equity interest of Be Top, with an indicative tender offer price of RM 65 million only.

As at the closing date of the binding offer in respect of the Open Tender, being 31 January 2019, the Tender Administrator had received the final Binding Offer from GIL. The Binding Offer is to acquire the entire equity interest of Be Top with a tender offer price of **RM 70 million** only. Your Board (save for the Interested Directors who had abstained from any deliberations in respect of the Proposed Disposal) had agreed to accept the Binding Offer at the total consideration of RM 70 million. In this respect, Sinotop had on 2 May 2019 entered into a Disposal SSA with GIL in relation to the Proposed Disposal. Subsequently, IPS and Astramina had announced on behalf of your board that Sinotop and GIL had mutually agreed to extend the cut-off date of the Disposal SSA to 2 July 2020 to facilitate the fulfilment of the conditions precedent of the Disposal SSA.

On 18 June 2020, on behalf of the Board, IPS and Astramina had announced that Sinotop had entered into a Supplemental Disposal SSA with GIL to vary and amend certain arrangement, terms and conditions of the Disposal SSA. The salient terms of the Disposal SSA and Supplemental Disposal SSA are set out in Appendix I of this Circular.

Based on all the announcements that were presented in this Circular, the following are the summary of the proposed corporate transactions to be undertaken by Sinotop which is subjected to the shareholder's approval at the EGM:-

(i) Proposed Disposal by Sinotop of the entire equity interest in Sinotop's wholly-owned subsidiary, Be Top for a cash consideration of **RM 70 million**;

(ii) Proposed Capital Reduction of Sinotop's share capital by the sum of **RM 86.0 million** pursuant to Section 117 of the Act, and

(iii) Proposed Diversification of the existing core business of Sinotop Group to include mobile and digital solutions businesses.

Each proposal is not conditional or inter-conditional upon each other.

New developments of acquiring a new business.

On 23 April 2020, your Board had announced that Sinotop had entered into the TAS SSA with the TAS Vendor for the acquisition by Sinotop of 5,865,000 ordinary shares in 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 Sinotop Shares at an issue price of RM0.13 per Share for a total shares consideration of RM5.00 million and cash consideration of RM2.00 million.

The listing of 38,461,538 new Sinotop Shares on the Main Market of Bursa Securities was completed on 22 May 2020. Accordingly, Sinotop has now owns 51% equity interest in TAS.

On 29 May 2020, 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 by 21 September 2020 or within 30 days upon obtaining Sinotop's shareholders approval on the Proposed Disposal, whichever shall be the earlier. As at the LPD, DVSB is a 56%-owned subsidiary of TAS.

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, the Proposed Disposal is also a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. In view of the interests of the Interested Directors and major shareholders of the Company in the Proposed Disposal as set out in Section 9.1 of Part A of this Circular, 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 to the detriment of the non-interested shareholders. In arriving our recommendation, we have complied with the relevant provisions relating to an independent adviser's recommendation in Schedule 2, Part III of the Rules on Take-Overs, Mergers and Compulsory Acquisition issued by Securities Commission Malaysia.

The main purpose of this IAL is to provide the non-interested shareholders of Sinotop with our independent evaluation of the Proposed Disposal, together with our independent opinion and recommendation in relation to the relevant resolutions pertaining to the Proposed Disposal. The non-interested shareholders of Sinotop should nonetheless rely on your own evaluation of the merits and / or demerits of the Proposed Disposal before making any decision on the course of action to be taken.

The non-interested shareholders of Sinotop are advised to read both this IAL together with the other sections of the Circular and to consider carefully the recommendation contained herein before voting on the relevant resolutions pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of the Company. If you are in doubt as to the course of action to be taken, you should consult your stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

2. EVALUATION OF THE PROPOSED DISPOSAL

Appended below is a summary of our comments on the fairness and reasonableness of the Proposed Disposal. Readers are advised to read the whole of this IAL.

2.1 Assessment of the **fairness** of the Proposed Disposal

No.	Consideration Factors	Commentary
1	Basis and justification in arriving at the Disposal Consideration. See **section 7.1.1** below.	Based on our analysis, we are of the opinion that the equity value for the entire equity interest of Be Top shall be fair if it is within or higher than the range from **RM 52 million to RM 66 million**, after applying the various valuation approaches as presented under **section 7.1.3** below. The Disposal Consideration of RM 70 million is higher than the fair equity value range ascribed by us, via our valuation report dated 12 April 2019. Hence, we conclude that the Disposal Consideration is **Fair**.

No.	Consideration Factors	Commentary
2	Financial analysis on the Foreign Assets from FYE 2009 to FPE 31 March 2020. See **Section 7.1.2** below	Be Top Group was acquired by Sinotop and became wholly owned subsidiary of Sinotop in August 2010. As part of the acquisition, the vendors of Be Top Group had provided a guaranteed PAT of not less than RMB 100 million and RMB 125 million to Sinotop for FYE 2009 and FYE 2010 respectively. Be Top Group **did not** meet the guaranteed PAT of not less than RMB 125 million for FYE 2010. With hindsight, the audited consolidated PAT achieved by Be Top Group was approximately RMB 100 million and RMB 78.2 million for FYE 2009 and FYE 2010 respectively. Empirical observation shows that the **performance of Be Top Group has deteriorated post profit guaranteed period, i.e. from FYE 2011 onwards until FPE 31 March 2020,** the period of our review. From our financial analysis, we concluded that there was a distinct deterioration in financial performance of Be Top Group from FYE 2011 onwards until FPE 31 March 2020, as compared to FYE 2009 and FYE 2010.

No.	Consideration Factors	Commentary
3	Fair equity value of the Foreign Assets and fairness of the settlement amount by Purchaser to the Vendor. See **Section 7.1.3** below Also kindly refer to **Section 2.1.2** of this Circular.	- **Fair equity value of the entire equity interest in Be Top** By applying various valuation approaches, namely i) justified P/B approach, ii) P/E of Comparable Companies, iii) historical P/E when Be Top Group was acquired by Sinotop and iv) break-up basis, the equity value for the entire equity interest of Be Top shall be fair if it is within or higher than the range from **RM 52 million to RM 66 million**. As the Disposal Consideration of RM 70 million is higher than the fair value ascribed by us, we conclude that the Disposal Consideration is **Fair**. - **Fairness of the settlement amount** The settlement by the Purchaser to the Vendor involves an amount to be deducted from the Disposal Consideration for the amount owing by Sinotop to Be Top Group. As at 30 June 2018, Sinotop owes an amount equals to approximately RM 36.5 million to Be Top Group. This amount 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"**). We noted that the amount owing by Sinotop to Be Top Group was mainly arising from an advance of RM 29.8 million by Be Top Group to Sinotop in 2017, to facilitate a capital repayment exercise undertaken by Sinotop. Pursuant to the capital repayment exercise, the Purchaser received a sum of approximately RM 17.0 million as he owns 57% in Sinotop (i.e. RM 29.8 million x 57% = RM 17.0 million). We are of the opinion that the fair amount that the Purchaser could offset against the Disposal Consideration from the amount owing by Sinotop to Be Top Group should be RM 19.5 million (RM 36.5 million – RM 17.0 million = RM 19.5 million). Hence, we are of the opinion that the net cash settlement amount to be received by

		Sinotop from the Proposed Disposal, is fair, if it is within the range of **RM 32.5 million to RM 46.5 million.** We noted that the Purchaser shall pay to the Vendor a net cash sum of **RM 33.5 million** (RM 70 million – RM 36.5 million = RM 33.5 million), which is within the range of RM 32.5 million to RM 46.5 million, hence we conclude that the net cash settlement amount by the Purchaser to the Vendor is **fair**.

No.	Consideration Factors	Commentary
4	The Disposal Consideration offered by the sole bidder was **RM 70 million**. See **Section 7.1.4** below	Based on our analysis, we are of the opinion that the equity value for the entire equity interest of Be Top shall be fair if it is within or higher than the range from **RM 52 million to RM 66 million**. Hence, we conclude that the Disposal Consideration is **fair** as the Disposal Consideration is higher than the fair value range ascribed by us.

No.	Consideration Factors	Commentary
5	Disposal Consideration as compared against the historical market capitalization of Sinotop. See **Section 7.1.5** below	As at 22 April 2020 (the date before the announcement of the signing of TAS SSA), the market capitalization of Sinotop was RM 47.4 million which is below the fair equity value of the Foreign Assets range from RM 52 million to RM 66 million. We also noted that the share price of Sinotop had experienced a substantial decline from RM 0.905 per share on 5 April 2017 to RM 0.12 per share on 22 April 2020, in the past three years. An absolute decline of 87% between both dates.

2.2 Assessment of the **reasonableness** of the Proposals

No.	Consideration Factors	Commentary
1	Assessment of the rationales of the Proposed Disposal by the Board. See **Section 7.2.1** below	From **Section 3 of this Circular**, the Board has highlighted the following rationales for the Proposed Disposal. - Deteriorating financial performance, eroding profit margin and competitive business environment affected by low demand and profit margin for the Foreign Assets' fabric products arising from stiff competition, rising cost of labour, stringent regulatory requirements and high operational costs - Speculation and uncertainty arising from the trade-war dispute between the USA and PRC - Global coronavirus pandemic We conclude that these rationales are **reasonable** justifications for the Proposed Disposal.

No.	Consideration Factors	Commentary
2	Financial analysis on the Foreign Assets from FYE 31 December 2009 to FPE 31 March 2020. See **Section 7.2.2** below	The key financial performance of the Foreign Assets had deteriorated from FYE 2011 onwards. Sinotop's return on equity was below the cost of equity from FYE 2011 onwards, which means that the Foreign Assets **had been unable** to generate a return of equity to meet investor's expectation, from FYE 31 December 2011 until FYE 31 March 2020. Hence, we conclude that it is **reasonable** justification for the Proposed Disposal.

No.	Consideration Factors	Commentary
3	Salient terms of the Disposal SSA and Supplemental Disposal SSA See **Section 7.2.3** below	We have assessed the Disposal SSA and Supplemental Disposal SSA from the following considerations: - - The fairness of the Disposal Consideration. - The fairness of the amount to be received by the Vendor from the Purchaser. - The manner of settlement by the Purchaser to the Vendor.

		Hence, we conclude that as an overall, the major terms of the Disposal SSA and Supplemental Disposal SSA are **reasonable** in commercial arrangements.

No.	Consideration Factors	Commentary
4	Polices of foreign remittance in PRC. See **Section 7.2.4** below	We have enquired Sinotop and obtained a written representation in the form of memorandum of opinion issued by a law firm, Tian Yuan Law Firm from its Beijing office that expresses an opinion that any remittance of funds by a PRC company to an overseas company requires an approval from the State Administration of Foreign Exchange of the PRC ("**SAFE**"). Typically, the approval from SAFE for any application for the remittance of funds by PRC company to overseas for capital account transactions, which includes direct investment is difficult to obtain. Hence, we conclude that it would be **reasonable** to dispose of the Foreign Assets in conjunction with the aim of Sinotop to focus on deriving its revenues and earnings from the mobile and digital solutions businesses. The Proposed Disposal provides an opportunity for Sinotop to receive cash consideration from GIL.

No.	Consideration Factors	Commentary
5	The consideration of the net cash settlement to be received by Sinotop, following the completion of the Proposed Disposal. See **Section 7.2.5** below	We have evaluated on the fairness of the amount to be received by the Vendor from the Purchaser, the key salient terms of the Disposal SSA and Supplemental Disposal SSA and the counterparty risk of non-payment by the Purchaser and conclude that as an overall, the settlement by Purchaser to the Vendor is **reasonable.**

No.	Consideration Factors	Commentary
6	Listing status See **Section 7.2.6** below	Upon the completion of the Proposed Disposal, there is a risk that may affect Sinotop's ability to meet the provisions stipulated under Chapter 8 of Listing Requirements – Continuing Listing Obligations specifically on two areas. Firstly, Sinotop may be classified as a Cash Company. Secondly, Sinotop may be classified as a "affected listed issuer" for having an inadequate level of operation upon completion of the Proposed Disposal. Your Board has assessed and evaluated and concluded that upon completion of the Proposed Disposal, Sinotop will not trigger the criteria as being classified as a "Cash Company". Your Board has also assessed and evaluated and concluded that upon completion of the Proposed Disposal, Sinotop will not trigger the criteria as being classified as an inadequate level of operations. In this respect, the Company will submit the Waiver Application to Bursa Securities.

No.	Consideration Factors	Commentary
7	Risk factors in relation to the Proposed Disposal and manner of cash settlement by Purchaser to Vendor. See **Section 7.2.7** below	We have evaluated the completion risk and payment risk of the Proposed Disposal and conclude that as an overall, the risk factors are adequately mitigated and hence the Proposed Disposal is **reasonable**.

No.	Consideration Factors	Commentary
8	Loss as a result of the Proposed Disposal See **Section 7.2.8** below	The Group is estimated to report a loss of approximately RM18.6 million upon completion of the Proposed Disposal. In addition, in FYE 30 June 2019, Sinotop had written down all the non-current assets of Be Top Group amounting to RM 69.6 million. We are of the view that this is **reasonable** as it is a one-off transaction.

No.	Consideration Factors	Commentary
9	Effects of the Proposals. See **Section 7.2.9** below	We have evaluated the effects of the Proposed Disposal, Proposed Capital Reduction and Proposed Diversification and conclude that as an overall, are **reasonable**.

No.	Consideration Factors	Commentary
10	Future plans of Sinotop See **Section 7.2.10** below	We have evaluated the future plans of Sinotop and noted that the Board intends to maintain the listing status and expand on the mobile and digital solutions businesses following the recent acquisition of 51% equity interest in TAS which in turn, TAS held 56% equity interest in DVSB. We conclude that these proposed future action plans are **reasonable**.

No.	Consideration Factors	Commentary
11	Alternative bids See **Section 7.2.11** below	In view of the absence of alternative bids, we conclude that the Disposal Consideration is **reasonable.**

3. RECOMMENDATION

Based on the above and the evaluation of AER as a whole, we are of the opinion that the Proposed Disposal is **FAIR AND REASONABLE** and is **NOT** detrimental to the non-interested shareholders of Sinotop. Accordingly, we recommend that the non-interested shareholders of Sinotop to **VOTE IN FAVOUR** of the relevant resolutions pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of the Company.

You should consider carefully the terms and conditions of the Proposed Disposal based on all the relevant and pertinent factors including those which are set out above, and other considerations as set out in this IAL, this Circular and the appendices therein and any other publicly available information.

You are advised to read the whole of this IAL carefully for more information and not rely solely on the Executive Summary before forming an opinion of the Proposed Disposal.

AER

ASIA EQUITY RESEARCH SDN BHD
(License Number: eCMSL/A0330/2015)
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30 July 2020

To: The non-interested shareholders of Sinotop Holdings Berhad

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF SINOTOP IN RELATION TO THE PROPOSED DISPOSAL

This IAL is prepared for inclusion in the Circular to the shareholders of Sinotop dated 30 July 2020 in relation to the Proposed Disposal and should be read in conjunction with the same. Unless otherwise defined herein, all terms set out in the Circular shall have the same meaning in this IAL.

1. INTRODUCTION

On 12 December 2018, Sinotop proposed to dispose its Foreign Assets for cash via an Open Tender exercise.

The closing date for the Non-Binding Offers in relation to the Open Tender managed by the Tender Administrator was on 8 January 2019. On the closing date for the Non-Binding Offer, the Tender Administrator had received only one (1) Non-Binding Offer from an interested bidder, GIL, which is the controlling shareholder of Sinotop, holding 57.01% of the then issued share capital of the Company. On 11 January 2019, the Company had issued the notice to the sole shortlisted bidder, namely GIL. The Non-Binding Offer by GIL is to acquire the entire equity interest of Be Top with an indicative tender offer price of RM 65 million only.

As at the closing date of the binding offer in respect of the Open Tender, being 31 January 2019, the Tender Administrator had received the final binding offer from GIL ("**Binding Offer**"). The Binding Offer is to acquire the entire equity interest of Be Top with a tender offer price of RM 70 million only. The Board (save for the Interested Directors who had abstained from any deliberations in respect of the Proposed Disposal) had agreed to accept the Binding Offer at the total consideration of RM 70 million ("**Disposal Consideration**"). In this respect, Sinotop had on 2 May 2019 entered into a Disposal SSA with GIL in relation to the Proposed Disposal.

On 2 August 2019, 2 October 2019, 2 January 2020 and 2 April 2020 respectively, on behalf of the Board, IPS and Astramina had announced that Sinotop and GIL had mutually agreed to extend the cut-off date of the Disposal SSA to 2 July 2020 to facilitate the fulfilment of the conditions precedent of the Disposal SSA.

On 18 June 2020, on behalf of the Board, IPS and Astramina had announced that Sinotop had entered into a Supplemental Disposal SSA with GIL to vary and amend certain arrangement, terms and conditions of the Disposal SSA. The salient terms of the Disposal SSA and Supplemental Disposal SSA are set out in Appendix 1 of this Circular.

Based on all the announcements that were presented in Part A of this Circular, the following are the summary of the proposed corporate transactions to be undertaken by Sinotop which is subjected to the shareholders' approval at the EGM:-

(i) Proposed Disposal by Sinotop of the entire equity interest in Sinotop's wholly-owned subsidiary, Be Top for a cash consideration of **RM 70 million**;

(ii) Proposed Capital Reduction of Sinotop's share capital by the sum of **RM 86.0 million** pursuant to Section 117 of the Act; and

(iii) Proposed Diversification of the existing core business of Sinotop Group to include mobile and digital solutions businesses.

Each proposal is not conditional or inter-conditional upon each other.

On 23 April 2020, the Board of Sinotop had announced that Sinotop had entered into the TAS SSA with the TAS Vendor for the acquisition by Sinotop of 5,865,000 ordinary shares in 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 Sinotop Shares at an issue price of RM0.13 per Share for a total shares consideration of RM5.00 million and cash consideration of RM2.00 million.

On 22 May 2020, the Board announced that the TAS Shares Acquisition was completed following the listing of 38,461,538 new Sinotop Shares on the Main Market of Bursa Securities. Accordingly, Sinotop has now owns 51% equity interest in TAS.

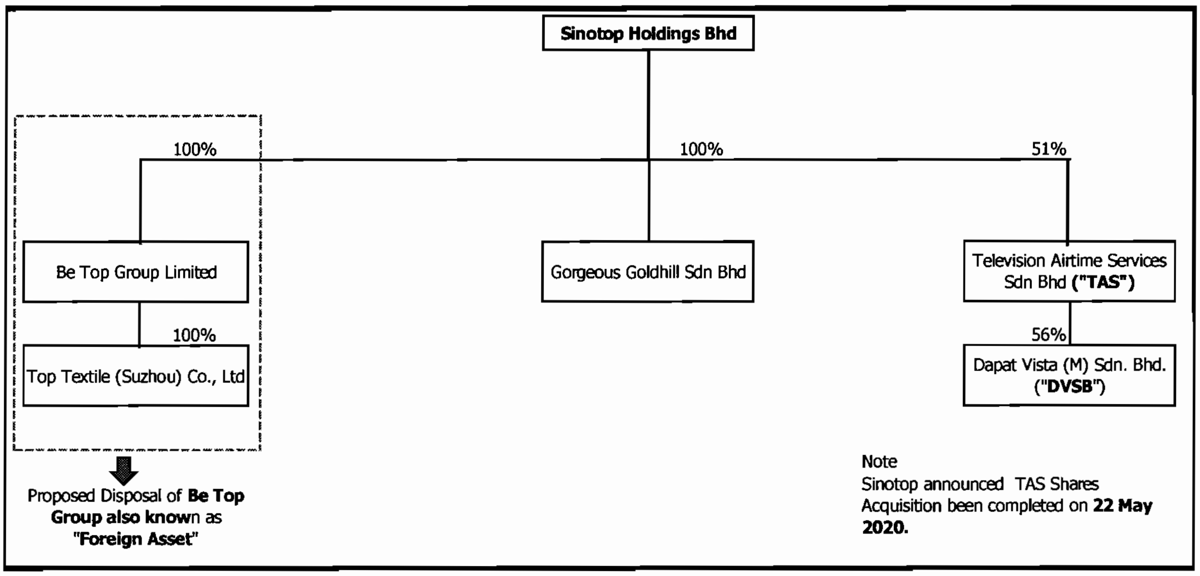
On 29 May 2020, the Board further announced that Sinotop had paid RM1.00 million to the TAS Vendor as part of the cash consideration in relation to the TAS Shares Acquisition which was completed on 22 May 2020. The balance cash consideration of RM1.00 million will be paid to the TAS Vendor by 21 September 2020 or within 30 days upon obtaining Sinotop's shareholders approval on the Proposed Disposal, whichever shall be the earlier. The Board also announced that on the even date, TAS had made the full payment to HeiTech Padu Berhad and its appointed solicitor for the first and second payment tranches in relation to the TAS-HTP Transaction. Pursuant thereto and as at the LPD, DVSB is a 56%-owned subsidiary of TAS.

The main purpose of this IAL is to provide the non-interested shareholders of Sinotop with our independent evaluation of the Proposed Disposal, together with our independent opinion and recommendation in relation to the relevant resolutions pertaining to the Proposed Disposal. The non-interested shareholders of Sinotop should nonetheless rely on your own evaluation of the merits and / or demerits of the Proposed Disposal before making any decision on the course of action to be taken.

The non-interested shareholders of Sinotop are advised to read both this IAL together with the other sections of the Circular and to consider carefully the recommendation contained herein before voting on the relevant resolutions pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of the Company. If you are in doubt as to the course of action to be taken, you should consult your stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

2. DETAILS OF THE PROPOSED DISPOSAL

The details of the Proposed Disposal are as set out in **Sections 2.1** of this Circular, which should be read in its entirety by the non-interested shareholder of the Company.



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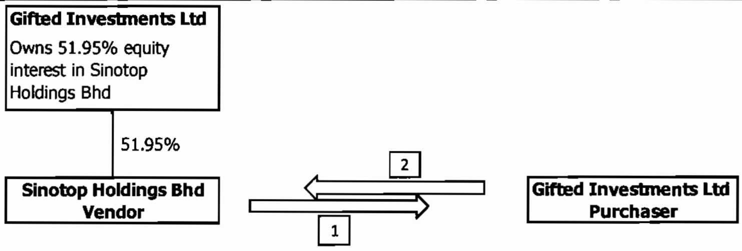


Summary of Proposed Disposal

1 Subject matter of the Disposal Consideration	1. Subject matter of the transaction is a proposed disposal by the Vendor to the Purchaser of a **Foreign Asset** which is the entire equity interest in **Be Top**. Be Top has 200 ordinary shares with a par value of USD 1 each.	
2 Disposal Consideration	2. On 2 May 2019, Vendor enters into an agreement with Purchaser, to sell the Foreign Assets to the Purchaser for a purchase consideration of **RM 70 million**.	
Purchaser assumes the liabilities of the Vendor and discharging the liabilities owed by Vendor to the Foreign Assets	3. Vendor owes a total sum of **RM 36.5 million**, as at 30 June 2018, to the Foreign Assets. Purchaser shall assume the liabilities of the Vendor and discharging the liabilities owed by Vendor to the Foreign Assets, by assignment / novation agreements to be executed if the Proposed Disposal is proceeded (**"Assumed Liabilities"**). The Assumed Liabilities shall be subject to further "adjustment" based on the amounts owing by Sinotop to Be Top and / or Top Textile "in accordance to the Supplemental Disposal SSA".	
Personal undertaking by Mr. Pan Ding, the sole shareholder of the Purchaser to provide financial support to the Purchaser to settle the Disposal Consideration and to ensure the performance of the Disposal SSA and Supplementary Disposal SSA.	4. Mr Pan Ding, as the sole shareholder of GIL, having executed and delivered his irrevocable and unconditional undertaking to Sinotop to provide financial support to GIL to settle the Disposal Consideration and to ensure the performance of the Disposal SSA and Supplemental Disposal SSA by GIL. (Source: Appendix 1, section (ii) (d) of the Circular)	
Settlement by Purchaser for the Disposal Consideration	5. The Purchaser shall settle the Disposal Consideration as follows:-	
		RM million
AER's fair value range ascribed for the entire equity interest in Be Top is between **RM 52 million to RM 66 million**	Disposal Consideration to be paid by Purchaser to Vendor	**70.0**
	Assumed Liabilities **Note 1**	(36.5)
AER's fair value range after taking into consideration the Assumed Liabilities by Vendor to the Purchaser, is between **RM 32.5 million to RM 46.5 million.**		**33.5**
	(Less)	
Conditions of payments	Bidding bond already paid by Purchaser to Vendor pursuant to the open tender exercise, in form of cash on 31 January 2019	(3.0)
Subject to GIL's satisfactory receipt of the documents set out in item (iv)(Tranche 1 Completion) of the Appendix I of this Circular, GIL shall cause the First Cash Payment to be paid to Sinotop on the same date or such other date that is mutually agreed by the parties	First Cash Payment, within 30 days from the date of approval by the shareholders or a later date subject to mutual agreement between parties of agreement.	(12.0)
Subject to the GIL's satisfactory receipt of the documents set out in (iv)(Tranche 2 Completion) of the Appendix I of this Circular, GIL shall cause the Second Cash Payment to be paid to Sinotop on the same date or such other date that is mutually agreed by the parties	Second Cash Payment, not later than 60 days from the date of the First Cash Payment, or a later date subject to mutual agreement between parties of agreement.	(18.5)
		0

Note 1

Subject to the GIL's satisfactory receipt of the documents set out in in item (iv)(Tranche 3 Completion) of the Appendix I of this Circular, the Assumed Liabilities shall be transferred to GIL on the completion date for Tranche 3 Completion

Note 2

Tranche 1 Sale Shares equals 43 ordinary shares of Be Top, Tranche 2 Sale Shares equals 53 shares of Be Top and Tranche 3 Sale Shares equals 104 shares of Be Top

Summarized by: **Asia Equity Research** Source: This Circular and announcement by Sinotop on 18 June 2020

3. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSED DISPOSAL

The terms of reference of AER pursuant to our appointment as Independent Adviser are in accordance with the requirements relating to an independent adviser as set out in Paragraph 10.08(2) and 10.11(A) of the Listing Requirements and the relevant provisions relating to an independent adviser's recommendation in Schedule 2, Part III of the Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by Securities Commission Malaysia, as stipulated in our engagement contract executed on 28 November 2018 between the Company and AER. Our scope as Independent Adviser is limited to expressing an opinion on the fairness and reasonableness of the terms of the Proposed Disposal, based on and in reliance upon publicly available information that we deemed relevant, as well as other information, documents and representations provided or made available to us by the Company for which the Board is solely responsible for, of which include, but not limited to the following:-
(i) past historical financial statements of the Foreign Asset from FYE 2009 to FPE 31 March 2020; and
(ii) a legal memorandum issued by Tian Yuan Law Firm, a legal counsel in PRC on policies and regulations on remittance of funds out from PRC, for a PRC incorporated company dated 29 April 2019; and
(iii) Disposal SSA dated 2 May 2019 and Supplemental Disposal SSA dated 18 June 2020; and
(iv) discussions with and representations by the directors and management of Sinotop; and
(v) other relevant information, documents, confirmation and representations furnished to us either directly or indirectly through the directors and management of Sinotop.

We have relied on Sinotop and the directors and management of Sinotop to take due care to ensure that all information, documents and representations provided to us by them to facilitate our evaluation of the Proposed Disposal are accurate, valid and complete in all material aspects. Accordingly, we have not independently verified the information provided to us for its feasibility, reliability, accuracy and / or completeness and we express no opinion on any such information and have not undertaken any independent investigation of such information supplied to us. However, after making all reasonable enquiries and to the best of our knowledge and belief, we acknowledged that the IAL constitutes a full and true disclosure of all material facts concerning the Proposed Disposal and we are satisfied with the information obtained and have no reason to believe that the information was unreliable, incomplete, misleading and / or inaccurate as at the LPD. Our advice should be considered in the context of the entirety to this IAL.

AER was not involved in any negotiations on the terms and conditions of the Proposed Disposal. ARE's scope as Independent Adviser is limited to expressing an independent evaluation on the fairness and reasonableness of the terms of the Proposed Disposal in so far as the non-interested shareholders of Sinotop are concerned and whether the Proposed Disposal will be to the detriment of the non-interested shareholders of Sinotop.

As the Independent Adviser, we have evaluated the Proposed Disposal and in rendering our advice, we have considered those factors which we believe are of general importance to the assessment of the implications of the Proposed Disposal and would be of relevance and general concern to the non-interested shareholders of Sinotop. This evaluation is rendered solely for the benefit of the non-interested shareholders of Sinotop. Our evaluation and recommendations expressed herein are confined to the Proposed Disposal. Our scope as the Independent Adviser does not extend to expressing any opinion on the commercial merits of the Proposed Disposal as this remains the sole responsibility of the Board.

AER'S VIEW AND RECOMMENDATIONS IN THIS IAL ARE TO THE NON-INTERESTED SHAREHOLDERS OF SINOTOP AT LARGE AND NOT TO ANY NON-INTERESTED SHAREHOLDER INDIVIDUALLY. HENCE, IN CARRYING OUT OUR EVALUATION, WE HAVE NOT GIVEN ANY CONSIDERATION TO THE SPECIFIC OBJECTIVES, FINANCIAL SITUATION AND PARTICULAR NEEDS OF ANY INDIVIDUAL NON-INTERESTED SHAREHOLDER OR ANY SPECIFIC GROUP OF NON-INTERESTED SHAREHOLDERS OF SINOTOP.

We recommend that any individual non-interested shareholder or group of non-interested shareholders of Sinotop, in doubt as to the action to be taken or requiring advice in relation to the Proposed Disposal in the context of their individual objectives, financial situation or particular needs, to consult their stockbroker, banker, solicitor, accountant or other professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by an individual non-interested shareholder or any group of non-interested shareholders of Sinotop in reliance on the evaluation stated herein for any purpose whatsoever that is particular to such individual non-interested shareholder or group of non-interested shareholders of Sinotop.

4. CREDENTIALS, EXPERIENCE AND EXPERTISE OF AER

AER is licensed to provide two regulated activities by the Securities Commission of Malaysia, namely advisory in corporate finance and investment advice. Our company's profile could be gathered from AER's website at www.aer.global

The past credentials, professional experiences and qualified professional of the individual licensed head in corporate finance to act as an Independent Adviser, where he was involved in numerous corporate transactions which include but not limited to the following transactions: -

(a) On 28 March 2019, acted as an independent valuer to support the fairness of a proposed major disposal of 50% equity interest in Integrated National Logistics DWC-LLC by Integrated Logistic Bhd for a total cash consideration of United Arab Emirates Dirham 45 million.

(b) On 28 December 2015, acted as an independent valuer to support the fairness of privatization exercise of Northport Corporation Berhad, specifically the port operations by ascribing a fair range of between RM 1,847 million to RM 1,947 million.

(c) On 26 March 2013, acted as an independent adviser for a proposed disposal of Wira Kristal Sdn Bhd to Ekovest Bhd for a consideration in Ekovest Bhd's shares worth RM 325.68 million, of which one of the vendors of Wira Kristal Sdn Bhd is a related party by virtue being a major shareholder of Ekovest Bhd and also being a common director in both companies.

(d) On 9 April 2014, acted as an independent adviser in a proposed acquisition of a property by United Bintang Bhd for a cash consideration of RM 15 million, from Meridian Atlantic Sdn Bhd, of which the vendor of Meridian Atlantic Sdn Bhd is a related party by virtue of also being a major shareholder of United Bintang Bhd.

Based on amongst others, AER's assigned personnel's professional qualification, experiences, expertise and past credentials, we have the necessary resources, relevant skills, knowledge, tools and experience to carry out our role and responsibilities as Independent Adviser to advise the non-interested shareholders of Sinotop in respect of the Proposed Disposal.

5. DECLARATION OF CONFLICT OF INTEREST

AER does not have any other business relationship with Sinotop at the present time or at any time during the past two years, prior to the date of the Disposal SSA.

AER is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of our appointment as the Independent Adviser in respect of the Proposed Disposal.

Save for the professional fees earned for acting as the independent valuer and Independent Adviser for the Proposed Disposal, AER does not receive or derive any financial interest or benefit from the outcome of the Proposed Disposal. Accordingly, we have given our confirmation to the Company that we are not aware of any conflict of interest which exist or is likely to exist in our capacity as the Independent Adviser in respect of the Proposed Disposal.

6. MAJOR SHAREHOLDERS' AND DIRECTORS' INTERESTS IN THE PROPOSED DISPOSAL

The details of the major shareholders and/or Directors who are interested in the Proposed Disposal are set out in **Section 9.1** of Part A of this Circular. Save as disclosed in **Section 9.1** of Part A of this Circular, to the best knowledge of Sinotop's Board, none of the other major shareholders and/or Directors and/or person(s) connected to them has any interest, whether direct or indirect, in the Proposed Disposal.

Mr. Pan Ding and Mr. Pan Dong have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings and approving the Board circular resolutions pertaining to the Proposed Disposal.

GIL as the winning bidder will also abstain from voting in respect of their direct shareholdings on the resolution pertaining to the Proposed Disposal to be tabled at the EGM to be commenced.

Interested Directors

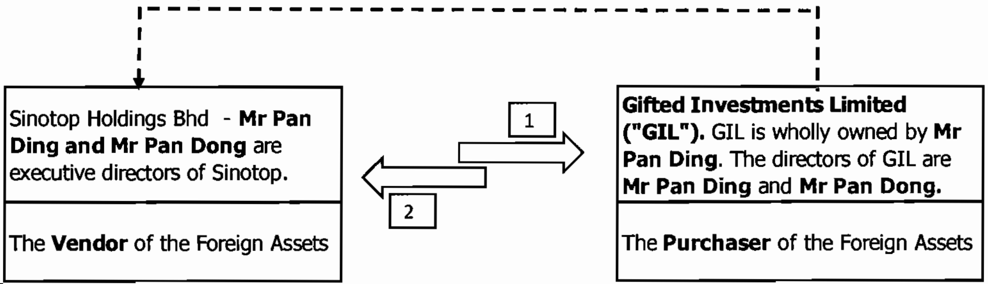
1	Mr. Pan Ding is the executive director of Sinotop and director of GIL, as at LPD.
2	Mr. Pan Dong is the executive director of Sinotop and director of GIL, as at LPD. Mr. Pan Dong is the brother of Mr. Pan Ding.

Major Shareholder

1	Mr. Pan Ding, the sole shareholder of GIL and also the major shareholder of Sinotop of 51.95% equity interest through his shareholding interest in GIL, as at LPD.
2	GIL being the major shareholder of Sinotop of 51.95% equity interest, as at LPD.

INTEREST OF MAJOR SHAREHOLDERS AND DIRECTORS IN THE PROPOSED DISPOSAL.

GIL , the major shareholder of Sinotop, with a shareholding of 51.95% in Sinotop



1 Proposed disposal by Sinotop of the entire equity interest in the Foreign Assets (i.e. Be Top Group Ltd and its wholly owned subsidiary, i.e.Top Textile (Suzhou) Co., Ltd), for **RM 70 million**

2 Net **cash** settlement by Gifted Investments Ltd to Sinotop of approximately **RM 33.5 million.**

7. EVALUATION OF THE PROPOSED DISPOSAL

In arriving at the recommendation in respect of the Proposed Disposal, we have evaluated the Proposed Disposal by taking into consideration a number of factors as stated in the table below in forming our opinion.

Assessment of the fairness of the Proposed Disposal		**Section 7.1**
No.	Consideration Factors	Section reference
1	Basis and justification in arriving at the Disposal Consideration.	Section 7.1.1
2	Financial analysis on the Foreign Assets from FYE 2009 to FPE 31 March 2020.	Section 7.1.2
3	Fair equity value of the Foreign Assets and Fairness of the settlement amount by Purchaser to Vendor.	Section 7.1.3
4	Disposal Consideration offered by the sole bidder was RM 70 million	Section 7.1.4
5	Disposal Consideration as compared against the historical market capitalization of Sinotop.	Section 7.1.5

Assessment of the reasonableness of the Proposed Disposal		**Section 7.2**
No.	Consideration Factors	Section reference
1	Assessment of the rationales of Proposed Disposal by the Board	Section 7.2.1
2	Financial analysis on the Foreign Assets from FYE 2009 to FPE 31 March 2020	Section 7.2.2
3	Salient terms of the Disposal SSA and Supplementary Disposal SSA	Section 7.2.3
4	Policies on foreign remittance in PRC	Section 7.2.4
5	The consideration of the net cash settlement to be received by Sinotop following the completion of the Proposed Disposal	Section 7.2.5
6	Listing status	Section 7.2.6
7	Risk factors in relation to the Proposed Disposal and manner of cash settlement by Purchaser to Vendor	Section 7.2.7
8	Loss as a result of the Proposed Disposal	Section 7.2.8
9	Effects of the Proposals	Section 7.2.9
10	Future plans of Sinotop	Section 7.2.10
11	Alternative bids	Section 7.2.11

7.1 Assessment of the fairness of the Proposed Disposal

AER is evaluating the fairness of the Proposed Disposal from two aspects: -

(i) the Proposed Disposal will be **considered fair if** the Disposal Consideration is **within** the fair value range **or higher** than the upper boundary of the fair value range ascribed for the entire equity interest in the Foreign Asset. The fair value range for the entire equity interest in Be Top is **RM 52 million to RM 66 million**, determined using Relative Valuation Approach such as i) Justified P/B Multiple, ii) P/E multiples of Comparable Companies, iii) historical P/E multiple when Be Top Group was acquired by Sinotop back in 2010 and iv) break up basis. The approaches are explained in Section 7.1.3 below.

(ii) The settlement by the Purchaser to the Vendor involves an amount owing by Sinotop to Be Top Group of RM36.5 million as at 30 June 2018 to be offset against the Disposal Consideration. This amount 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. We also noted that the amount owing by Sinotop to Be Top Group was mainly arising from an advance of a sum of RM 29.8 million by Be Top Group to Sinotop in 2017, to facilitate a capital repayment exercise undertaken by Sinotop. Pursuant to the capital repayment exercise, the Purchaser received a sum of approximately RM 17.0 million as GIL owns 57% in Sinotop, on the entitlement date of the capital repayment (i.e. RM 29.8 million x 57% = RM 17.0 million). We are of the opinion that the fair amount that Purchaser could rightfully offset against the Disposal Consideration from the amount owing by Sinotop to Be Top Group should be RM 19.5 million

(RM 36.5 million – RM 17.0 million = RM 19.5 million). Hence, we are of the opinion that the net cash settlement amount to be received by Sinotop from the Proposed Disposal, is fair, if it is within the range of RM 32.5 million to RM 46.5 million.

We noted that the Purchaser shall pay to the Vendor a net cash sum of RM 33.5 million (RM 70 million – RM 36.5 million = RM 33.5 million), which is **within** the range of RM 32.5 million to RM 46.5 million, hence we conclude the net cash settlement amount by the Purchaser to the Vendor is **fair**.

Rationale of AER's basis:-
We noted that Sinotop had advanced a sum of approximately RM 57.0 million ("**Advance**") to Be Top Group in 2010. In 2011, Sinotop has decided to treat this Advance as "quasi loan" as part of the "Investment in Subsidiaries". By recording as such, this means that the "quasi loan" is a capital contribution and there is no need of repayment by Be Top Group to Sinotop.

Subsequently, Be Top Group had advanced to Sinotop for capital repayment exercise amounting to RM 29.8 million and for other annual operational requirements. The amount advanced from Be Top Group to Sinotop was recorded as a "debt" in the individual books of Sinotop and Be Top Group, which means a repayment from Sinotop to Be Top Group is required. In this Proposed Disposal, the Purchaser shall deduct from the Disposal Consideration for the amount owing by Sinotop to Be Top Group, based on a particular cut-off date. We are of the opinion that the Purchaser, based on reasonableness should not be entitled to claim for the advances from Be Top Group to Sinotop that was used to pay the Purchaser in a capital repayment exercise in 2017, amounting to RM 17.0 million. Hence, for purpose of computing the fairness of the cash settlement sum by Purchaser to Vendor, we had assumed that Purchaser could only claim RM 19.5 million based on the sum of Assumed Liabilities determined as at 30 June 2018 and if this sum is deducted from the fair value range ascribed by us, shall translate to a fair settlement range of between RM 32.5 million to RM 46.5 million.

7.1.1 Basis and justification in arriving at the Disposal Consideration.

No.	Basis and justification in arriving at the Disposal Consideration.	AER's comments
1	From **Section 2.1.2 of Part A** of the Circular. *"The Disposal Consideration of RM70,000,000 is inclusive of the assumption of liabilities owing by Sinotop to Be Top and Top Textile, by GIL, and was arrived at based on a willing buyer and willing seller basis.* *The Disposal Consideration represents:* *(a) a P/E multiple of approximately **156.7** times based on the segmental PAT contribution by the Foreign Assets' manufacturing and sale of fabric products business of approximately RM0.67 million for the 18-month FPE 30 June 2018;* *(b) a P/E Multiple of approximately **29 times** over the average consolidated net*	Based on our analysis, we are of the opinion that the equity value for the entire equity interest of Be Top, shall be fair if it is within or higher than the range from **RM 52 million to RM 66 million**. Hence, we conclude that the Disposal Consideration is **fair** as the Disposal Consideration of RM 70 million, is higher than the fair value range ascribed by us after applying the various valuation approaches as presented under section 7.1.3 below. We have considered the RVA as an appropriate approach to ascribe the fair value of the entire equity interest of Be

	profits of Be Top of approximately RM2.4 million for the FYE 31 December 2015, FYE 31 December 2016 and 18-month FPE 30 June 2018; and *(c) a price-to-book multiple of approximately* ***0.32 times*** *over the consolidated NA of Be Top of approximately RM219 million as at 30 September 2018."*	Top, as we have analysed the past historical information of Be Top Group from the date it became wholly owned subsidiary of Sinotop in FYE 2010 until FPE 31 March 2020, enabling us to analyse the profitability trend. We have not considered FCFE approach to value Be Top Group as the business of Be Top Group is dependent on market demand for its products and the future cash flow are not contractual in nature. As the business of Be Top Group is subjected to market risk of which the future cash inflows **could not** be forecasted with reasonable certainty, we concluded that FCFE is not a suitable approach. The use of FCFE will result in subjective inputs with high degree of bias in the value derived. We have considered a number of sub approaches within the RVA such as i) Justified (fair) Price to Book Multiple, ii) P/E multiple of Comparable Companies, iii) historical P/E multiple when Be Top Group was acquired by Sinotop and iv) break up basis to arrive at a fair equity value range of **RM52 million to RM 66 million.**

7.1.2 Financial analysis on the Foreign Assets from FYE 2009 to FPE 31 March 2020.

Commentary by AER: -

1. Be Top Group was acquired by Sinotop and became wholly owned subsidiary of Sinotop in August 2010. For the financial year ended 31 December 2009 and 31 December 2010, the vendors of Be Top Group provided a guaranteed PAT of not less than RMB 100 million and RMB 125 million respectively.
2. Be Top Group **did not** meet the guaranteed PAT of not less than RMB 125 million in FYE 2010. With hindsight, the audited consolidated PAT achieved by Be Top Group was approximately RMB 100 million and RMB 78.2 million for FYE 2009 and FYE 2010 respectively.
3. Empirical observation shows that the **performance of Be Top Group has deteriorated post profit guarantee period i.e. after FYE 2010**. From FYE 2011 onwards until FPE 31 March 2020, the period of our review, we noted that the performance of Be Top Group had deteriorated substantially as compared to FYE 2009 and FYE 2010.

Conclusion on financial analysis of Be Top Group

During period of profit guarantee, FYE 2009 and FYE 2010

1.FYE 2009 - Met the guaranteed PAT of not less than RMB 100 million
2. FYE 2010 - Did not meet the guaranteed PAT of not less than RMB 125 million

Post profit guarantee period, FYE 2011 - FPE 31 March 2020

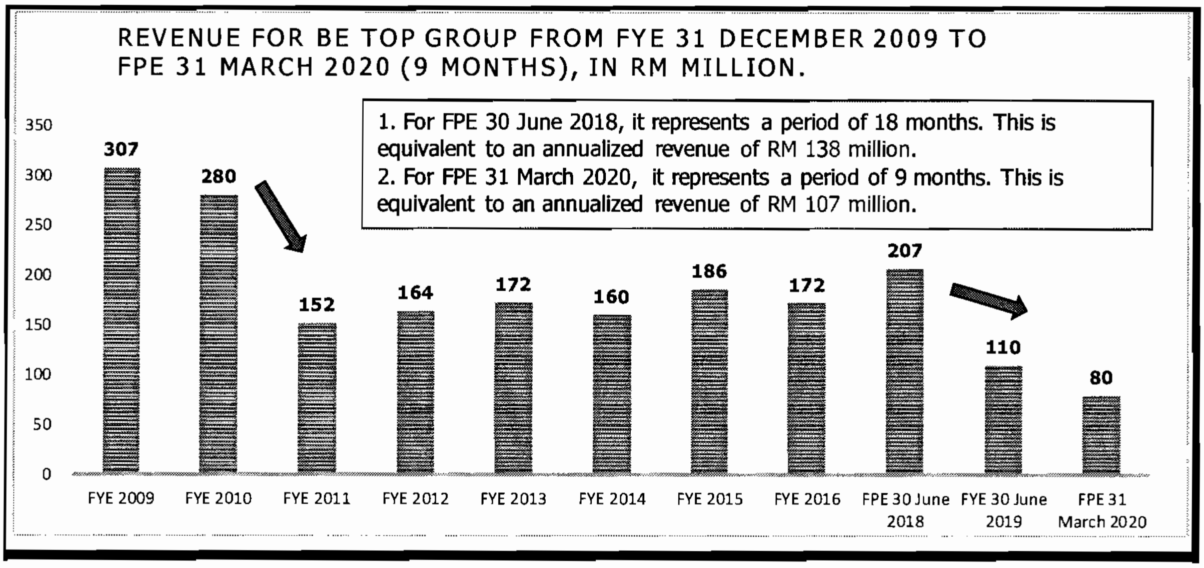
FYE2011 and thereafter -
Financial performance deteriorated.
We noticed a "a change in performance trend" as compared with FY 2009 and FYE 2010, which indicates a deterioration in financial performance.

Source: Sinotop for the financial information of Be Top Group.

7.1.2.1 Annual revenue of the Foreign Assets from FYE 31 December 2009 to FYE 31 March 2020.

Key message: -

1. For the period from FYE 2011 to FPE 31 March 2020, the annual revenue of each financial year/period represents a **decline of about 40%** or more as compared with the annual revenue in FYE 2009. **Performance of Be Top Group deteriorated from the first financial year when it was no longer under any profit guarantee period and remains about the same level until present date.** (see table below)



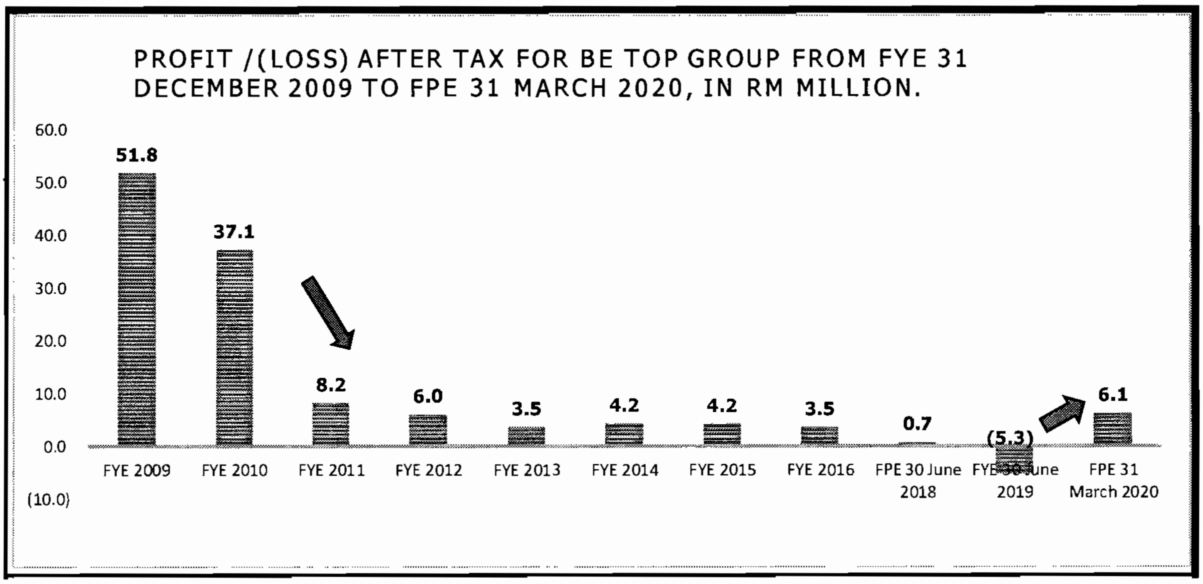
Source: Sinotop

7.1.2.2 PAT of the Foreign Assets from FYE 31 December 2009 to FPE 31 March 2020.

Key message: -

1. From FYE 2011 to FPE 31 March 2020, PAT **declined by more than 84%** as compared with annual PAT in FYE 2009. PAT of Be Top Group deteriorated from the first financial year when it was no longer under profit guarantee period and remains about the same level until present date. (see table below)

2. Average annual PAT recorded from FYE 2011 to FPE 2018 was **approximately RM 4 million a year**. Average annual PAT recorded from FYE 2011 to FPE 31 March 2020 was approximately RM 3.4 million a year due to a loss of RM 5.3 million in FYE 2019.

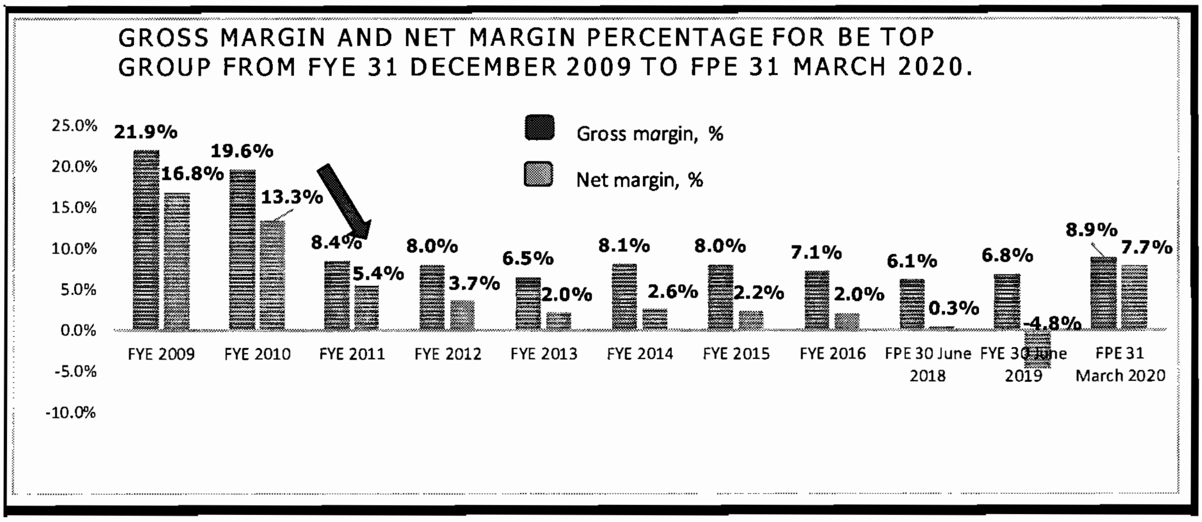


Source: Sinotop

7.1.2.3 Gross Margin Percentage / Net Margin Percentage of the Foreign Assets from FYE 31 December 2009 to FPE 31 March 2020.

1. Net margin % had been **declining** for the past three preceding financial years. Annual net margin was below 2.3% from FYE 2015 until FYE 30 June 2019. For FYE 30 June 2019, Be Top Group reported a net margin of negative 4.8 %. However, we noted that the net margin for the nine months ended 31 March 2020, showed some improvement with a reported net margin of 7.7%.

2. Gross margin % also **declined** correspondingly over the years.



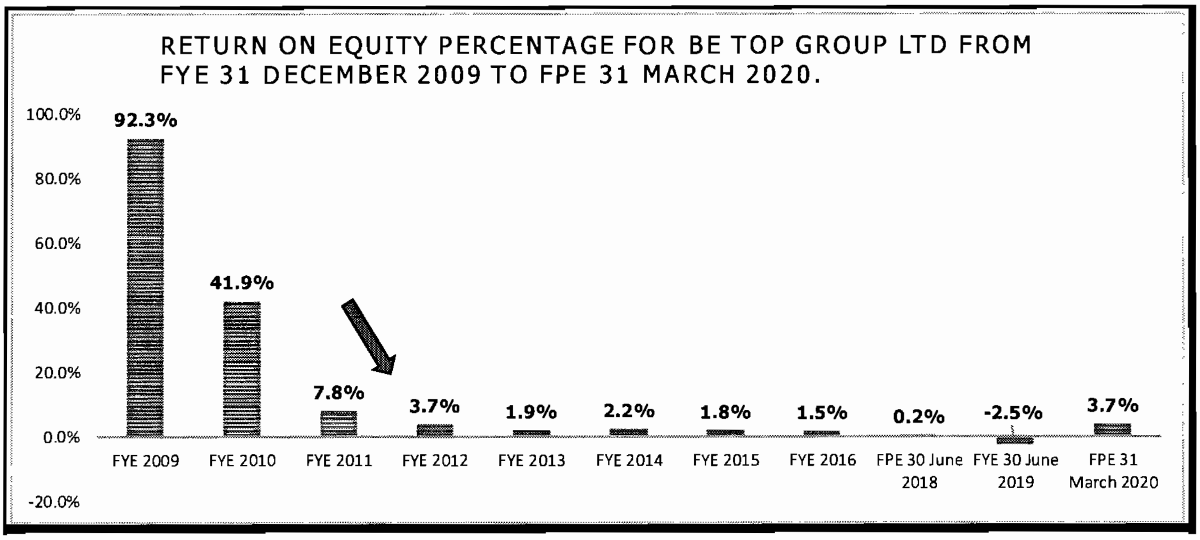
Source: Sinotop

7.1.2.4 Annual ROE of the Foreign Assets from FYE 31 December 2009 to FPE 31 March 2020.

Key message: -

1. ROE has been **declining** and for the past three preceding financial years, it was below 1.5%. For the FPE 30 June 2018 (18 months), annualized reported ROE was 0.2%.

2. For the FYE 30 June 2019, Be Top Group reported a negative ROE of 2.5%. However, we noted that the ROE for the nine months ended 31 March 2020 showed improvement with an unaudited reported annualized ROE of 3.7%.



Source: Sinotop

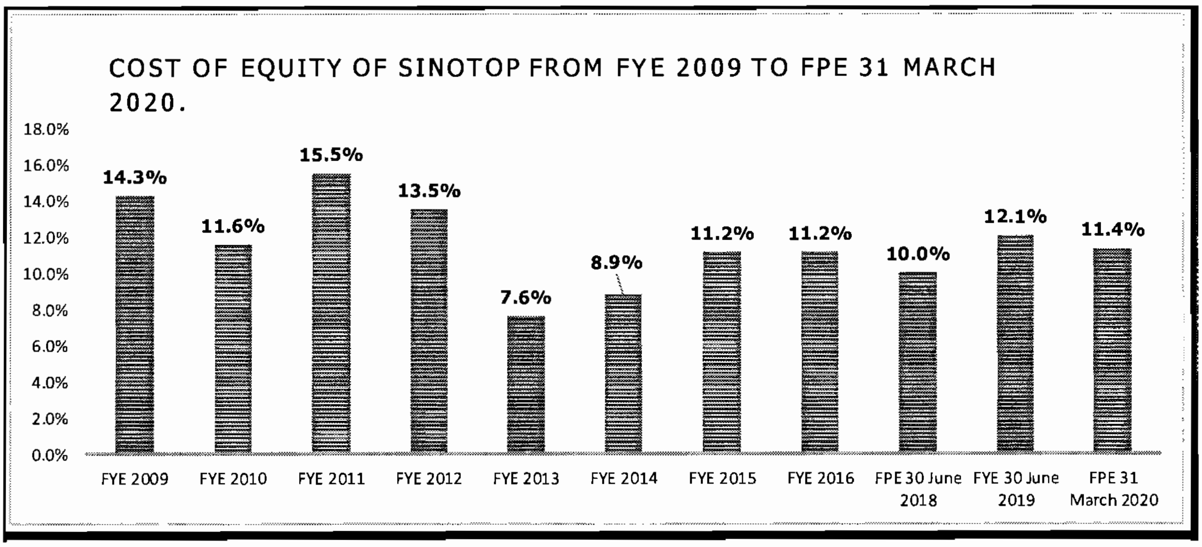
Note: The ROE for FPE 30 June 2018 and FPE 31 March 2020 was computed based on an annualized basis as the reporting period was for a period of 18 months and 9 months respectively.

7.1.2.5 Cost of equity of the Foreign Assets from FYE 2009 to FPE 31 March 2020.

Key message: -

1. Average cost of equity for Sinotop for the past five financial years of FYE 2015 until FPE 31 March 2020 was **11.0%.**

2. The annual ROE from the Foreign Assets was **below** the expected return by the investors for all the financial years when the Foreign Assets was no longer under any obligation of profit guarantee i.e. from FYE 2011 onwards during the period under review. This implies that the Foreign Assets are not generating the return required / expected by the shareholders of Sinotop.



Source: Bloomberg

7.1.3 Fair equity value of the Foreign Assets and Fairness of the Settlement by Purchaser to the Vendor.

Fair valuation range for the entire equity interest in Be Top

Approach	Fair value for the entire equity interest in Be Top, RM million
Fair P/B (Justified P/B approach) Applying the justified P/B approach, this shall translate to a fair equity value of approximately **RM 52 million** for the entire equity interest in Be Top which translate to a **fair price to book of 0.24 times** based on the NA of Be Top in FYE 31 December 2018.	**52**
P/E of Comparable Companies Applying the maximum P/E of **14.7 times** amongst the Comparable Companies as shown in the Appendix of this IAL, given Be Top's high net cash position as at FPE 31 December 2018 (i.e. which indicates that Be Top do not have working capital constraints to meet any reasonable increase in business requirements) and based on the simple annual average PAT recorded from the period of FYE 2011 to FPE 31 December 2018 of approximately RM 4 million a year, shall translate to an entire equity valuation of RM 59 million.	**59**
Historical P/E when Be Top Group was acquired by Sinotop. The fair value of Be Top Group, could be determined by using the same historical P/E multiple when the acquisition of Be Top Group was announced by JMI in 2009, i.e. historical P/E multiple of **15.5 times** based on audited PAT for FYE 31 December 2008. Applying this historical P/E multiple and based on the simple annual average PAT recorded from the period of FYE 2011 to FPE 31 December 2018 of approximately RM 4 million a year, shall translate to an entire equity valuation of RM 62 million.	**62**
Break-up basis The fair value range for the entire equity interest in Be Top ranges from **RM 56 million to RM 66 million** if we apply a break-up basis on each items of assets and liabilities on the balance sheet of Be Top Group as at 31 December 2018 with assumed recovery rates and payable sums respectively. The following major assumptions on conservative basis are adopted: - (i) all cash-based assets shall have full recovery (ii) all liabilities are paid in full. (iii) the Advance ("quasi-loan") from Sinotop to Be Top Group amounting to approximately RM 57 million does not require repayment in accordance to the manner of accounting by Be Top Group as this amount was grouped under equity. (iv) all other assets which are non-cash are assumed to be recovered at a percentage that ranges from 20% to 25% on two grounds: - 1. Applying the justified P/B approach, the fair price to book based on the historical earning capabilities of the assets and liabilities	**56 to 66**

of Sinotop as compared with the required rate of return by its investors, is at 0.24 times or 24%. This implies that the recovery of all assets is 24%. However, for our evaluation purpose, we have applied a range of 20% to 25% on all other assets and a 100% recovery on cash. 2. In a typical scenario of sales of assets under a force sale, the recovery of non-cash assets is priced in the range of 20% to 25% representing the salvage value based on market practice	

Commentary by AER

1. The net assets of Be Top Group as at 30 June 2019 was RM 212.1 million. As compared to the Disposal Consideration of RM 70 million, this shall translate to a discount of 67% when the disposal consideration is compared to the net assets of Be Top Group. This discount is reasonable considering that Be Top Group were generating a negative annual required rate of return which is reflecting a situation of asset impairment. Even though, Sinotop has adjusted for the impairment at its consolidated level, the adjusted impairment was not reflected in the individual financial statements of Be Top Group.

Fairness of the settlement amount

1. There is an amount owing by Sinotop to Be Top Group of RM 36.5 million as at 30 June 2018. The Vendor (i.e. Sinotop) and the Purchaser (i.e. GIL) intends to offset the amount payable by Sinotop to Be Top Group of RM 36.5 million against the Disposal Consideration payable by GIL to Sinotop and discharging the liability of Sinotop to Be Top Group for the amount owing of RM 36.5 million. This amount 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. We noted that the amount owing by Sinotop to Be Top Group was arising mainly from an advance of RM 29.8 million by Be Top Group to Sinotop in 2017, to facilitate a capital repayment exercise by Sinotop, of which the advance was treated as debt like instrument. Pursuant to the capital repayment exercise, the Purchaser received a sum of approximately RM 17.0 million as it owns 57% in Sinotop (i.e. RM 29.8 million x 57% = RM 17.0 million).

   We also noted that Sinotop had in 2010 advanced a sum of RM 57 million to Be Top Group. As disclosed in the Annual Report 2011 of Sinotop, the Company 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 instead of a receivable. This amount was subject to impairment when the recoverable amount was lower than the corresponding carrying amount.

2. Taking into consideration the difference in the treatment of the abovementioned advances, **on a fair basis**, we are of the opinion that the fair amount that the Purchaser could offset from the Disposal Consideration to discharge the liability of Sinotop to Be Top Group should be RM 19.5 million (RM 36.5 million – RM 17.0 million = RM 19.5 million) ("**Fair Value of Amount Payable by Vendor to Purchaser**").

Therefore, if the net cash settlement amount to be received by Sinotop from the Proposed Disposal is within the range of **RM 32.5 million to RM 46.5 million,** before adjusting the time value of money for any deferred settlement, **then it is fair.** We noted that the Purchaser shall pay to the Vendor a net cash settlement amount of **RM 33.5 million** (RM 70 million – RM 36.5 million = RM 33.5 million), since it is within the range of RM 32.5 million to RM 46.5 million, we conclude that the settlement amount received by Sinotop from GIL is **fair.**

	Lower boundary of the fair value range, **RM million**	Upper boundary of the fair value range, **RM million.**
Approaches – RVA and break up basis.	52.0	66.0
Less Fair Value of Amount Payable by Vendor to Be Top Group.	(19.5)	(19.5)
Fair value range of Foreign Assets, after taking into consideration the netting of the Fair Value of Amount Payable by Vendor to Be Top Group.	**32.5**	**46.5**

7.1.4 Disposal Consideration offered by the sole bidder was RM70 million.

No.	Disposal Consideration as compared against the fair equity value ascribed for the Foreign Assets	AER's comments
1	The Disposal Consideration offered by the sole binding offer was **RM 70 million.**	Based on our analysis, we are of the opinion that the equity value for the entire equity interest of Be Top shall be fair if it is within the range from **RM 52 million to RM 66 million**. Hence, we conclude that the Disposal Consideration is **fair** as the Disposal Consideration is higher than the fair value range ascribed by us after applying the various valuation approaches as presented under section 7.1.3 above.

7.1.5 Disposal Consideration as compared against the historical market capitalization of Sinotop.

AER's comments: -

Sinotop first announced the proposed disposal of the Foreign Assets on 12 December 2018. The closing share price was RM 0.28 and with a total number of issued shares of 394.9 million, this translate to a market capitalization of RM 110.6 million. On 31 January 2019 (the close of the tender date), the share price of Sinotop remains the same as at 12 December 2018. The share price of Sinotop had experienced a decline thereafter. As at 22 April 2020 (the date before the announcement of the signing of TAS SSA), the price per share of Sinotop was at RM 0.12 per share which translate to a market capitalization of RM 47.4 million. The market capitalization had declined from RM 110.6 million to RM 47.4 million between the period of 12 December 2018 and 22 April 2020.

By comparing the market capitalization of Sinotop to the Disposal Consideration, the market capitalization of Sinotop as at 12 December 2018 is higher than the Disposal Consideration by 58.0%, while the market capitalization of Sinotop as at 22 April 2020 is lower than the Disposal Consideration by 32.3%.

From an analysis of the historical P/E trend, we concluded that the market capitalization of Sinotop has been overvalued in the earlier years and does not reflect the intrinsic value of operating segments of the Group possibly due to low trading volume in most of the time.

Subsequent to 22 April 2020, it was noted that there were increased trading volume in Sinotop following the announcements in relation to the new Investment in TAS. The closing price of Sinotop on 20 July 2020 was RM 0.485 per share which translate to a market capitalization of RM 210.2 million.

Hence, we concluded that the market capitalization of Sinotop as at 12 December 2018, could not be used as a standalone basis to evaluate the fairness of the Disposal Consideration due to its low trading volume and over-valued state, when comparing the traded price with fundamental analysis.

(i) P/E of Sinotop
No P/E multiple could be computed for Sinotop for the FYE 30 June 2019, as Sinotop reported loss after tax of RM 73.9 million as explained below.

The loss after tax of Sinotop for the 12 months FYE 30 June 2019 was approximately RM 73.9 million, which included a loss arising from the re-measurement of assets classified as held for sale amounting to RM 69.5 million. (Note 1 below for details)

Note 1
- The impairment loss of Sinotop Group amounting to RM 69.5 million for the FYE 30 June 2019 were made up as follows:-

Items which were impairment in the non-current assets of Foreign Assets	RM million
Investment in a joint venture	7.2
Property, plant and equipment	51.9
Investment property	4.0
Land use rights	6.4
Total	**69.5**

(ii) P/B of Sinotop
Applying the market capitalization as on 22 April 2020 of RM 47.4 million over the net assets of Sinotop for the 12 months ended as at FYE 30 June 2019 of RM 106.1 shall translate to a P/B of **0.45** times.

7.2.1 Assessment of the rationales of Proposed Disposal by the Board.

No.	Assessment of the rationale of the Proposed Disposal by the Board.	AER's comments
1	As set out in **Section 3.1** of **Part A** of the Circular, the main rationales of the Proposed Disposal are as summarized below: - - Deteriorating financial performance, eroding profit margin and competitive business environment affected by low demand and profit margin for the Foreign Assets' fabric products arising from stiff competition - Rising cost of labour - Stringent regulatory requirements and high material costs - Speculation and uncertainty arising from the current trade-war dispute between the USA and PRC - Global coronavirus pandemic	As set out in Section 3.1 of Part A of the Circular, we can conclude that the industry that the Foreign Asset is facing pressures from external market factors which adversely affects the financial performance of the Foreign Asset. Also, in the latest quarterly financial results prior to the signing of the Disposal SSA, which is the third quarter ended 31 March 2019, it was noted that Sinotop has indicated few key challenges that affects the future fabric production business namely, the uncertainty arising from the trade war between USA and China, slow recovery within China and higher production cost in the near future as a result of higher fuel cost due to imposition of more stringent requirements in types of fuels allowed in production. The prospects of fabric production business above were summarized from Part B, section B3, as announced in Q3 financial results of Sinotop, announced on 31 May 2019. Hence, we are of the view that it would be **reasonable** to dispose of the Foreign Assets.

7.2.2 Financial analysis on the Foreign Assets from FYE 31 December 2009 to FPE 31 March 2020.

No.	Financial analysis on the Foreign Assets from FYE 31 December 2009 to FPE 31 March 2020.	AER's comments
1	AER has performed a financial analysis on the Foreign Assets from FYE 2009 to FPE 31 March 2020, as detailed under Section 7.1.2 of this IAL.	The key financial performance of the Foreign Assets had deteriorated from FYE 2011 onwards. In FYE 2009 and FYE 2010, the vendors of Foreign Assets had provided a guaranteed profit of not less than RMB 100 million and RMB 125 million respectively. The Foreign Assets met the guaranteed PAT for FYE 2009 but failed to meet the guaranteed profit for FYE 2010. From FYE 2011 onwards up to FYE 31 March 2020, the financial performance of Be Top Group had deteriorated substantially as compared to the guaranteed profit period in FYE 2009 and FYE 2010. Hence, we are of the view that it would be **reasonable** to dispose of the Foreign Assets as the Foreign Assets **has been unable** to generate a return of equity that meet investor's expectation.

7.2.3 Salient terms of the Disposal SSA and Supplementary Disposal SSA

No.	Salient terms	AER's comments
1	Disposal Consideration From **Sections 2.1.2, 2.1.3 and Appendix 1**, of this Circular, the Disposal Consideration is RM 70 million. **The net cash settlement of RM 33.5 million by the Purchaser to Sinotop** is after Purchaser assumes a liability of RM 36.5 million representing an owing by Sinotop to the Foreign Assets, as at 30 June 2018. This will discharge the liabilities owed by Sinotop to the Foreign Assets.	1. The fair value range for the entire equity interest in Be Top Group ranges from RM 52 million to RM 66 million. 2. There is an amount due from Sinotop to the Foreign Assets of RM 36.5 million as at 30 June 2018. If the Purchaser (i.e. GIL) intends to offset the amount payable to Sinotop with the amount due from Sinotop to Be Top Group, for the sum of RM 36.5 million, rightfully, the amount that Purchaser could claim as a

	For the other salient terms of the Disposal SSA and Supplemental Disposal SSA, specifically in relation to risk factors on the Proposed Disposal and manner of cash settlement by Purchaser to Vendor, kindly refer to **Section 7.2.7** below.	set-off is RM 19.5 million (RM 36.5 million – RM 17.0 million). 3. AER's fair value range after taking into consideration the Assumed Liabilities, is between **RM 32.5 million to RM 46.5 million. As the net cash settlement by the Purchaser to Sinotop is RM 33.5 million, which is within the range, the disposal consideration is fair.**

7.2.4 Policies of foreign remittance in PRC

No.	Policies of foreign remittance in PRC	AER's comments
1	We noted that there is a cash balance and fixed deposit with licensed bank, in Be Top Group of approximately **RM 17.3 million** as at 31 March 2020, maintained with the bank under the ownership of Top Textile, i.e. a PRC company.	We have enquired Sinotop and obtained a written representation in the form of memorandum of opinion issued by a law firm, Tian Yuan Law Firm from its Beijing office who expresses an opinion that any remittance of funds by a PRC company to an overseas company requires an approval from SAFE. Typically, the approval from SAFE for any application for the remittance of funds by PRC company to overseas for capital account transactions, which includes direct investment is difficult to obtain. We therefore conclude that considering that Sinotop would have difficulty to take any advantage of the cash balance in Top Textile **if** the Proposed Disposal is not taking place. Hence, we conclude that it would be reasonable to dispose of the Foreign Assets in conjunction with the aim of Sinotop to focus on deriving its revenue and earnings from the mobile and digital solutions businesses. We understood that during the capital repayment exercise in 2017, Be Top had remitted RM 12.8 million from its bank account maintained in Hong Kong to Sinotop for the repayment to all entitled shareholders except GIL's entitlement. For GIL's entitlement of RM 17.0 million, it was paid by Top Textile in the PRC on

		behalf of Sinotop. The Proposed Disposal provides an opportunity for Sinotop to receive cash consideration from GIL.

7.2.5 The consideration of the net cash settlement to be received by Sinotop following the completion of the Proposed Disposal.

No.	The consideration of the net cash settlement to be received by Sinotop following the completion of the Proposed Disposal.	AER's comments
1	From **Section 2.1.2** of **Part A** of the Circular: On 2 May 2019, Vendor entered into the Disposal SSA with Purchaser, to sell the Foreign Assets to the Purchaser for a purchase consideration of **RM 70 million.** Vendor owes a total sum of RM 36.5 million, as at 30 June 2018, to the Foreign Assets. Purchaser shall assume the liabilities to Foreign Assets and discharging the liabilities owed by Vendor to the Foreign Assets. This translates to a net purchase cost to be paid by Purchaser to Vendor for a sum of **RM 33.5 million,** to be satisfied in the form of cash consideration.	**Fairness of the settlement amount** As explained in Section 7.1.3 of this IAL, as the net cash settlement amount to be received by Vendor from the disposal of the entire equity interest in Be Top Group to the Purchaser of **RM 33.5 million**, is within the range of RM **32.5 million to RM 46.5 million**, this is fair. The release of shares by the Purchaser to Vendor is in tranches in accordance to the cash amount being received by the Vendor. Hence, we conclude that as an overall, the net cash settlement paid by the Purchaser to the Vendor are **fair and reasonable.**

7.2.6 Listing status

Upon the completion of the Proposed Disposal, there is a risk that may affect Sinotop's ability to meet the provisions stipulated under Chapter 8 of LR – Continuing Listing Obligations specifically on two areas. Firstly, Sinotop may be classified as a Cash Company. Secondly, Sinotop may also be classified as a "affected listed issuer" for having an inadequate level of operation upon the Proposed Disposal.

Your board has assessed both instances and is of the view that both risk has been mitigated and summarized as below for ease of explanation.

Cash Company

No.	Assessment of being classified as cash company	AER's comments
1	From **Section 4.1.3** of **Part A** of the Circular *"Based on the pro forma consolidated statements of financial position of Sinotop as at 30 June 2019 compiled by the Directors (accompanied by report issued by Mazars) as set out in Appendix IV of the Part A of the Circular, upon completion of the Proposed Disposal, the cash or short-term investment of the Group, or a combination of both represents approximately 48% of the pro forma total assets of the Group upon completion of the Proposed Disposal. Accordingly, the Board is of the view that Sinotop **will not** trigger the criteria for a cash company under Paragraph 8.03(1) and PN 16 of the Listing Requirements immediately upon completion of the Proposed Disposal."*	Your board has assessed and evaluated and conclude that upon completion of the Proposed Disposal, the exercise will not trigger the criteria as being classified as a "Cash Company". We therefore conclude that the actions taken by your board are **reasonable**.

Inadequate level of operation

No.	Assessment of being classified as cash company	AER's comments
1	From **Section 4.1.3** of **Part A** of the Circular summarised as below:- Your 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: - Due to the deteriorating financial performance of Be Top Group and the prospect of Be Top Group remains challenging; - Your board proposed to utilise the proceeds from the Proposed Disposal for its remaining construction business and New Investment in TAS which your board is of the view that it is expected to be earnings-	Your board has assessed and evaluated and conclude that upon completion of the Proposed Disposal, the exercise will not trigger the criteria for being classified as an inadequate level of operations as a result of actions taken by your board. Sinotop will need to submit a Waiver Application on the basis that the Group still has an adequate level of operations and to obtain an approval from Bursa Securities for the Waiver Application prior to the transfer of Tranche 3 Sale Shares to the Purchaser. On assumption that the Waiver Application is rejected, Sinotop will still own 52% equity interest in Be Top of which Be Top is still a subsidiary of Sinotop. Hence, the issue of inadequate level of operation had been substantially mitigated by your

	accretive for Sinotop; In this respect, your Company, will submit a Waiver Application to Bursa Securities 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	Board. The new terms and conditions of the Supplemental Disposal SSA will, in effect, prevent Sinotop from being classified as "affected listed issuer", regardless of the outcome of the Proposed Disposal We therefore conclude that the actions taken by your board are **reasonable**.

7.2.7 Risk factors in relation to the Proposed Disposal and manner of cash settlement by Purchaser to Vendor.

Estimated Timeframe of cash payment by Purchaser to Vendor and transfer of Sale Shares by Vendor to Purchaser, on **assumption** that there is no mutual extension of dates by both parties for illustrative purpose only

First Cash Payment of RM 12 million, within 30 days from shareholders approval date subject to Tranche 1 Completion.

Equivalent to collection of **21.4%** of the total Disposal Consideration

Second Cash Payment of RM 18.5 million, within 60 days from First Cash Payment date, subject to Tranche 2 Completion

Equivalent to collection sum of **26.4 %** of Disposal Consideration

Involves book offset and does not involve cash payments, subject to Tranche 3 Completion.

30 days

60 days

Date of approval obtained from shareholders for the Proposed Disposal

"Assumed Liabilities is transferred by Vendor to Purchaser"

Effect upon completion of First Cash Payment is the transfer of Sale Shares from Vendor to Purchaser for the Tranche 1 Sale Shares equivalent to 43 ordinary Be Top shares or **21.5%** equity interest in Be Top

Effect upon completion of Second Cash Payment is the transfer of Sale Shares from Vendor to Purchaser for the Tranche 2 Sale Shares equivalent to 53 ordinary Be Top shares or **26.5%** equity interest in Be Top

Upon satisfaction of the remaining Conditions, the Assumed Liabilities shall be transferred by Vendor to Purchaser no later than 12 months from the date of Supplemental SSA (the date of Supplemnetal SSA was 18 June 2020)

Vendor shall transfer Tranche 3 Sale Shares equivalent to 104 ordinary Be Top shares or **52.0%** equity interest in Be Top.

Source: Announcement of Sinotop dated 18 June 2020.

No.	Risk factors in relation to the Proposed Disposal	AER's comments
1	Completion risk The Proposed Proposal, Proposed Capital Reduction and Proposed Diversification are not conditional or inter-conditional upon each other	All the proposals are independent of one another. As discussed under Section 7.2.6 above, on the scenario that the Waiver Application is rejected, Sinotop will only dispose 48% of Be Top resulting a partial disposal instead of a 100% disposal.
2	The Proposed Disposal requires an aggregate net cash payment of **RM 33.5 million** by the Purchaser to the Vendor.	The Vendor will release the block of Be Top shares in proportion with the cash payment received from Purchaser.

	A RM 3 million bidding bond paid by the Purchaser on 31 January 2019 and the balance cash payments in two payments of RM 12 million and RM 18.5 million upon approval by the shareholders of Sinotop on the Proposed Disposal.	For illustration:- - Upon receiving the First Cash Payment of RM 12 million, which represents 21.4% of the Disposal Consideration [(RM 12 million +RM 3 million) / RM 70 million = 21.4%], the Purchaser will receives 21.5% equity interest in Be Top. - Upon receiving the Second Cash Payment of RM 18.5 million, which represents 26.4% of the Disposal Consideration [RM 18.5 million / RM 70 million = 26.4%], the Purchaser will receives 26.5% equity interest in Be Top. - Lastly, upon satisfying the remaining Conditions, the Assumed Liabilities will be transferred to the Purchaser by the Vendor, which represents 52.2% of the Disposal Consideration [RM 36.5 million / RM 70 million = 52.2%], the Purchaser will receives 52.0 % equity interest in Be Top. Mr. Pan Ding, as the sole shareholder of GIL, having executed and delivered his irrevocable and unconditional undertaking to Sinotop to provide financial support to GIL to settle the Disposal Consideration and to ensure the performance of the Disposal and Supplemental Disposal SSA by GIL. Hence, we conclude that terms of payment are **reasonable.**

7.2.8 Loss as a result of the Proposed Disposal

No.	Loss as a result of the Proposed Disposal	AER's comments
1	As set out in **Section 2.1.5 and Section 2.1.8** of **Part A** of the Circular, the following salient information were extracted:- - There will be no loss on disposal at Company level.	All the figures presented in this column are rounded to the nearest million, for the purpose of ease of illustration of the nature and financial effects as extracted from the relevant sections of Sinotop's audited financial statement for FYE 30 June 2019.

	- The estimated loss on disposal at Group level is approximately RM 18.6 million.	- **Commentary on loss of disposal at Company level.** Original cost of investment by Sinotop in Be Top of RM 328 million and investment by Sinotop in Be Top for a sum of RM 57 million termed as "Quasi Loan". The total aggregate investment cost by Sinotop in Be Top as at 30 June 2019 was **RM 385 million.** [Note 1] Sinotop had a total impairment losses on investment in subsidiary of **RM 315 million** as at 30 June 2019. [Note 2] Net investment cost after accounting for the impairment losses as at FYE 30 June 2019 was RM 70 million [RM 385 million – RM 315 million = RM 70 million]. **Key message by AER.** Hence, on a proforma basis, the disposal shall result in a no gain no loss in year of disposal at the Company level, as the net investment cost after impairment equals to the disposal consideration. The no gain no loss situation arise because the total impairment loss of RM 315 million was already been accounted for in FYE 2010 and FYE 2019. [Note 3] Note 1 Extracted from note 6 of the audited financial statements of Sinotop for FYE 30 June 2019. Note 2 The impairment loss was recognized in two financial years, namely FYE 2011 and FYE 2019 of RM 230 million and RM 85 million respectively. Note 3 "Comprised of impairment losses recognised in the FYE 31 December 2011 and FYE 30 June 2019 of RM229.65 million and RM85.48 million respectively" (Source Section 2.1.5 (ii) of the Circular). - **Commentary on estimated loss of**

		disposal of approximately RM 18.6 million reported at Group level. - Upon the completion of Proposed Disposal, the Group is estimated to report a loss of approximately RM 18.6 million at Group level in the year of disposal. Note 1 - In addition, in FYE 30 June 2019, Sinotop had written down all the non-current assets of Be Top Group amounting to RM 69.6 million. Note 1 Extracted from Section 2.1.8 of the Circular.

7.2.9 Effects of the Proposals

7.2.9.1 Share capital

On a proforma basis assuming that all the Proposals are completed as at FYE 30 June 2019, the Proposals **does not** affect the number of ordinary shares of Sinotop.

On a proforma basis, assuming that all the Proposals are completed as at FYE 30 June 2019, the Proposals has an effect of **decreasing** the share capital from RM 118.5 million to RM 32.5 million, as a result of Proposed Capital Reduction by RM 86 million, which will be utilized to set off the accumulated losses of Sinotop.

Number of Sinotop Bhd shares shall remain at 395 million following the completion of the Proposals but before considering the effects of new issuance of new shares of 38.4 million shares already issued by Sinotop to acquire 51% equity interest in TAS.

Our view is that the steps undertaken are **Reasonable**.

7.2.9.2 Net assets

On a proforma basis, assuming that all the Proposals are effected and are completed as at FYE 30 June 2019, the effects of the Proposals on the net assets are as tabulated below: -

	Net asset of Sinotop (RM million)	Net asset of Sinotop per share (**RM**)	AER's comments
Audited as at 30 June 2019	106.1	0.27	
After completion of the TAS Shares Acquisition.	116.0	0.27	

After completion of the Proposed Capital Reduction	116.0	0.27	The Proposed Capital Reduction has **no effect** on the net asset per share.
After completion of the Proposed Disposal	40.4	0.09	The Proposed Disposal is estimated to result in a **reduction** of net asset per share by RM 0.18 per share.

Conclusion: -
The Proposed Disposal has a one-off effect of reducing the net asset per share by RM 0.18 per share. Upon completion of the TAS Share Acquisition, Proposed Capital Reduction and Proposed Disposal, the net asset per share reduces from RM 0.27 per share to RM 0.09 per share. The reduction in the net asset per share of RM 0.18, is a result of a one-off transaction to record the loss of disposal of Be Top Group. Considering that Be Top's return of equity is lower than cost of equity in all the financial years after the profit guarantee period from FYE 2011 to FPE 31 March 2020, this may indicate that the book value of asset is likely impaired and recognized at the time when the Proposal Disposal is completed. Hence, the reduction is net asset per share is **Reasonable**.

7.2.9.3 EPS

On a proforma basis, assuming that all the Proposals are effected and are completed as at FYE 30 June 2019, the effects of the Proposals on the EPS are as tabulated below: -

	Profit / (loss) after tax, in RM '000	Earnings / (loss) per share of Sinotop (**RM**)	AER's comments
Audited as at 30 June 2019	(74.0)	(0.19)	
After the TAS Share Acquisition	(74.0)	(0.17)	The reduction in loss per share is the result of an additional of 38.4 million Sinotop shares were issued as a part consideration to pay to the TAS Vendor.
After the Proposed Capital Reduction	(74.0)	(0.17)	The Proposed Capital Reduction has no effect on the net earnings / (loss) per share.
After the Proposed Disposal	(93.6)	(0.22)	The Proposed Disposal is estimated to result in an additional loss per share by RM 0.05

Conclusion: -
Overall, the Proposals has the effect of increasing the loss after tax resulting from the loss of disposal of the Foreign Assets. As this is a one-off transaction to record the Proposals , it is **Reasonable.**

7.2.9.4 Substantial shareholder's shareholding

On a proforma basis, assuming that all the Proposals are effected and completed, the **percentage shareholdings in Sinotop of any individual shareholders over the enlarged capital are not affected**.

7.2.10 Future plans of Sinotop

No.	Future plans	AER's comments
1	Sinotop intends to maintain the listing status of Sinotop post completion of Proposed Disposal.	We noted that board of directors of Sinotop intends to maintain the listing status of Sinotop and also to focus and expand the mobile and digital solutions businesses following the recent acquisition of 51% equity interest in TAS. We noted that following the announcement by Sinotop on 23 April 2020 on the acquisition of 51% equity interest in TAS, the reaction from investors has been favorable. The share price of Sinotop appreciated from RM 0.115 on 23 April 2020 to RM 0.485 on 20 July 2020. An absolute increase in share price of 322%.

7.2.11 Alternative bids

No.	Alternative bids	AER's comments
1	From Section 1.1 of Part A of the Circular, Sinotop had arranged for an Open Tender to dispose of the Foreign Assets. On the closing date for the Non-Binding Offer, only one bidder being GIL. As at the closing date of the binding offer in respect of the Open Tender, on 31 January 2019, the Binding Offer from GIL to acquire the entire equity interest of Be Top was with a tender offer price of RM70,000,000.	The disposal of the Foreign Assets involves a business with operations solely in China. It is likely that it only attracts interested investors who understands the operation of textile manufacturing and rules and regulations operating in China. Hence it is reasonable to conclude that there are likely to be limited interested investors. There is no alternative bids as the Tender Administrator only received one bid from the Purchaser. As an additional note, even if the tender is called again in present economic circumstance, post COVID-19, it is likely to have limited interested parties.

		In view of the absence of alternative bids we conclude that the Disposal Consideration is **reasonable.**

8. POTENTIAL OUTCOME OF THE PROPOSED DISPOSAL

We noted from **Section 8** of this Circular, that the Proposed Disposal is **not conditional** upon the Proposed Capital Reduction.

9. RECOMMENDATION FROM THE BOARD

We noted from **Section 12** of this Circular that the Board, save for Disposal Interested Directors who have abstained from all deliberations on the Proposed Disposal, has recommended the shareholders of Sinotop to vote in favour for the relevant resolutions pertaining to the Proposed Disposal at the forthcoming EGM of the Company.

10. ADEQUACY OF FINANCIAL RESOURCES OF PURCHASER

As stated in **Appendix 1, 3(iii)(d) of** this Circular, Pan Ding, as the sole shareholder of GIL has provided an irrevocable and unconditional undertaking to Sinotop to provide financial support to GIL to settle the Disposal Consideration and to ensure the performance of the Disposal SSA and Supplementary Disposal SSA by GIL.

11. CONCLUSION AND RECOMMENDATION FROM AER

Premised on the evaluation of AER as a whole, we are of the opinion that the Proposed Disposal is **Fair** and **Reasonable** and is **NOT detrimental** to the interest of the non-interested shareholders of Sinotop.

Accordingly, we recommend that the non-interested shareholders of Sinotop to VOTE IN FAVOUR of the relevant resolutions pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of the Company.

Yours faithfully
ASIA EQUITY RESEARCH SDN BHD

ONG TEE CHIN, CFA, FRM
DIRECTOR

KHAIRIL ANUAR BIN MOHD NOR
DIRECTOR

APPENDIX – Comparable Companies

The average P/E for Comparable Companies is 10.1 times, with a minimum of 6.6 times and a maximum of 14.7 times.

No	Comparable companies Name / Bloomberg Ticker Code	Principal activities	P/E times	P/B times	ROE, %	Revenue in Chinese Yuan (RMB) and financial year end
	Average		**10.1**			
	Minimum		6.6			
	Maximum		**14.7**			
1	Bros Eastern Co Ltd / 601339 CH Equity - Listed on Shanghai Stock Exchange - Corporate information 17F Yiting Bldg Hefeng Creative Sq, 475 Jiangdong North Road	Bros Eastern Co., Ltd manufactures textile products. The company researches, develops, produces, and sells melange yarn, cotton yarn, blended color yarn, and other products. Bros Eastern markets its products domestically and overseas.	14.7	1.1	7.6%	RMB 6.0 billion / FYE 31 December 2019
2	Sunvim Group Co Ltd / 002083 CH Equity - Listed on Shenzhen Stock Exchange - Corporate information 1 Sunvim Street, Gaomi City, Weifang 261500, China	Sunvim Group Co., Ltd manufactures and distributes textile products. The company produces towels, decorative fabrics, yarns, and other products. Sunvim Group also operates import and export businesses.	10.9	1.3	12.6 %	RMB 5.1 billion / FYE 30 September 2019
3	Texhong Textile Group Ltd / 2678 HK Equity - Listed on Hong Kong Stock Exchange.	Texhong Textile Group Limited manufactures and sells yarn and grey fabrics. The Company's main focus is promoting and selling spandex stretch yarn and spandex stretch grey fabrics	6.6	1.2	18.6 %	RMB 22.0 billion / FYE 31 December 2019

	- Corporate information 979 King's Road, Dorset, House, Unit 9, 31st Floor Quarry Bay Hong Kong					
4	Henan Xinye Textile Co / 002087 CH Equity - Listed on Shenzhen Stock Exchange - Corporate information 15 Shuyuan Road, Xinye County, Nanyang 473500, China	Henan Xinye Textile Co., Ltd manufactures and distributes textile products. The Company produces pure cotton yarns, blended yarns, cotton grey fabrics, yarn-dyed fabrics, and more. Henan Xinye Textile exports its products to the United States, European, Japan, South Korea, and other countries.	8.1	0.8	11.1 %	RMB 5.5 billion, FYE 30 September 2019.

Source: Bloomberg on 6 April 2020 and analysis of public information.

PART C

LETTERS TO THE SHAREHOLDERS OF SINOTOP IN RELATION TO THE PROPOSED CHANGE OF NAME

SINOTOP HOLDINGS BERHAD
(Registration No. 198401002327 (114842-H))
(Incorporated in Malaysia)

Registered office:
802, 8th Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

30 July 2020

Board of Directors

Datuk Dr. Ng Bee Ken *(Independent Non-Executive Chairman)*
Pan Ding *(Group Managing Director/Executive Director)*
Pan Dong *(Executive Director)*
Tun Dato' Seri Zaki Bin Tun Azmi *(Independent Non-Executive Director)*
Low Yan Seong *(Independent Non-Executive Director)*
Wan Kamarul Zaman Bin Wan Yaacob *(Independent Non-Executive Director)*

To: The shareholders of Sinotop

Dear Sir/Madam,

PROPOSED CHANGE OF NAME OF SINOTOP FROM "SINOTOP HOLDINGS BERHAD" TO "PERTAMA DIGITAL BERHAD"

1. INTRODUCTION

On 7 July 2020, Sinotop announced that the Board proposed to change the Company's name from "Sinotop Holdings Berhad" to "Pertama Digital Berhad".

THE PURPOSE OF PART C OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS AND INFORMATION ON THE PROPOSED CHANGE OF NAME, TO SET OUT OUR BOARD'S RECOMMENDATIONS AND TO SEEK YOUR APPROVALS FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED CHANGE OF NAME TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF PART C OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED CHANGE OF NAME.

2. DETAILS OF THE PROPOSED CHANGE OF NAME

The proposed name "Pertama Digital Berhad", has been approved by the Companies Commission of Malaysia ("**CCM**") on 3 July 2020. The Proposed Change of Name (if approved by you) will be effective from the date of the issuance of the Notice of Registration of New Name by the CCM. The Constitution of our Company will be amended accordingly to reflect the change of name of our Company.

3. RATIONALE OF THE PROPOSED CHANGE OF NAME

In view of the Proposed Disposal and the New Investment in TAS upon completion of the TAS Shares Acquisition on 22 May 2020, the mobile and digital solutions businesses is expected to become the new core business of Sinotop Group. In this respect, the Company proposes to seek the approval from its shareholders for the Proposed Diversification. Hence, the Proposed Change of Name is undertaken to better reflect the Group's objectives and future core business in mobile and digital solutions businesses. The Proposed Change of Name will also provide better clarity to the investment communities in terms of the future business plan of the Group.

4. EFFECTS OF THE PROPOSED CHANGE OF NAME

The Proposed Change of Name will not have any effect on the share capital and substantial shareholders' shareholding of Sinotop, NA, NA per Sinotop Share, gearing, earnings and EPS of Sinotop Group.

5. APPROVALS REQUIRED

The Proposed Change of Name is subject to the approval of shareholders of Sinotop at an EGM of the Company to be convened.

The Proposed Change of Name is not conditional upon any other corporate proposals being or to be undertaken by Sinotop.

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

None of the Directors, major shareholders of Sinotop and/or persons connected with them have any interest, directly or indirectly in the Proposed Change of Name.

7. DIRECTORS' STATEMENT/RECOMMENDATION

The Board, having considered all aspects of the Proposed Change of Name, is of the opinion that the Proposed Change of Name is in the best interest of Sinotop Group and recommends that you vote in favour of the resolution in relation to the Proposed Change of Name to be tabled at the forthcoming EGM.

8. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at Concorde 1, Lobby Level, Concorde Hotel, 2, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Friday, 21 August 2020 at 10.00 a.m., for the purpose of considering, and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposed Change of Name.

If you are unable to attend, participate, speak or vote in person at the EGM and wish to appoint a proxy, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited 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 not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The completion and lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

9. FURTHER INFORMATION

You are advised to refer to the enclosed appendices set out in this Circular.

Yours faithfully
For and on behalf of the Board
SINOTOP HOLDINGS BERHAD

DATUK DR. NG BEE KEN
Independent Non-Executive Chairman

SALIENT TERMS OF THE DISPOSAL SSA AND SUPPLEMENTAL DISPOSAL SSA

The salient terms of the Disposal SSA and Supplemental Disposal SSA are as follows:

(i) GIL shall buy the Be Top Shares held by Sinotop free from all encumbrances and with all attached or accrued rights in accordance to the terms set out in the Disposal SSA and Supplemental Disposal SSA for the Disposal Consideration;

(ii) the Disposal SSA and Supplemental Disposal SSA are conditional on the following conditions ("**Disposal Conditions**") being satisfied or obtained by or before the Cut-Off Date:

(a) the passing of a resolution of the shareholders of Sinotop, approving the Proposed Disposal pursuant to the terms of the Disposal SSA and Supplemental Disposal SSA;

(b) the entry into agreements or documents to assign/novate the Assumed Liabilities to GIL by Sinotop or release and discharge by Be Top or Top Textile of Sinotop from the Assumed Liabilities;

(c) Sinotop having procured the approval from Bursa Securities for the Waiver Application; and

(d) Pan Ding, as the sole shareholder of GIL, having executed and delivered his irrevocable and unconditional undertaking to Sinotop to provide financial support to GIL to settle the Disposal Consideration and to ensure the performance of the Disposal SSA by GIL;

(iii) completion of the Disposal SSA and Supplemental Disposal SSA shall be in the following:

<u>Tranche 1 Completion</u>

The completion for the transfer of the Tranche 1 Sale Shares shall take place at the designated address, where Sinotop shall subject to terms set in the Disposal SSA and Supplemental Disposal SSA deliver to GIL:

(a) for cancellation, the original share certificates in respect of the Tranche 1 Sale Shares;

(b) the board resolution of Be Top approving the transfer of the Tranche 1 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 1 Sale Shares and the issue of a share certificate to GIL;

(c) a duly completed, signed and undated instrument of transfer of the Tranche 1 Sale Shares in favour of GIL;

(d) 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 is paid; and

(e) 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.

<u>Tranche 2 Completion</u>

Subject to the satisfaction of Tranche 1 Completion, the completion for the transfer of the Tranche 2 Sale Shares shall shall take place at the designated address, where Sinotop shall subject to terms set in the Disposal SSA and Supplemental Disposal SSA deliver to GIL:

(a) for cancellation, the original share certificates in respect of the Tranche 2 Sale Shares;

(b) 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 and the issue of a share certificate to GIL;

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

(d) 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

(e) 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.

<u>Tranche 3 Completion</u>

Subject to the satisfaction of Tranche 2 Completion, the completion for the transfer of the Tranche 3 Sale Shares shall shall take place at the designated address, where Sinotop shall subject to terms set in the Disposal SSA and Supplemental Disposal SSA deliver to GIL:

(a) for cancellation, the original share certificates in respect of the Tranche 3 Sale Shares;

(b) 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;

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

(d) 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;

(e) the entry into agreements or documents to assign/novate the Assumed Liabilities to GIL by Sinotop or the release and discharge by Be Top or Top Textile of the Company from the Assumed Liabilities; and

(f) 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.

(iv) in the event of a breach of any of the warranties contained in the Disposal SSA or Supplemental Disposal SSA by either party, the other party shall be compensated for the direct damage and loss suffered or incurred by the party in breach, directly or indirectly, as a result of the breach. This right shall be in addition to and shall not prejudice a party's right under the Disposal SSA or Supplemental Disposal SSA to exercise their rights to specific performance;

(v) 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 the Disposal SSA and Supplemental 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 and Supplemental Disposal SSA if:

(a) all the Disposal 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 or Supplemental Disposal SSA are rejected, refused or approved on terms not acceptable to GIL; or

(b) GIL or Sinotop breaches all or any of the provisions of the Disposal SSA or Supplemental Disposal SSA or any of the warranties contained in the Disposal SSA or Supplemental 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

(c) GIL or Sinotop becomes insolvent; or

(d) (i) Sinotop does not complete the transfer of all or any of the Tranche 1 Sale Shares in accordance with item (iii)(Tranche 1 Completion) of Appendix I of this Circular; or

(ii) GIL does not complete the settlement of the First Cash Payment in favour of Sinotop in accordance with item (iii)(Tranche 1 Completion) of Appendix I of this Circular;

(iii) Sinotop does not complete the transfer of all or any of the Tranche 2 Sale Shares in accordance with item (iii)(Tranche 2 Completion) of Appendix I of this Circular.

(iv) GIL does not complete the settlement of the Second Cash Payment in favour of Sinotop in accordance with item (iii)(Tranche 2 Completion) of Appendix I of this Circular; or

(v) Sinotop does not complete the transfer of all or any of the Tranche 3 Sale Shares in accordance with item (iii)(Tranche 3 Completion) of Appendix I of this Circular;

(e) if it appears that any of the warranties contained in the Disposal SSA or Supplemental Disposal SSA is or has become inaccurate or misleading, and on such notice being given.

(vi) the provisions as set in the Disposal SSA or Supplemental Disposal SSA in relation to termination consequences shall apply:

(a) if the Disposal SSA or Supplemental Disposal SSA is terminated in accordance to item (vi)(a) of Appendix I of this Circular, 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 SSA;

(b) if the Diposal SSA or Supplemental Disposal SSA is terminated in accordance with item (vi)(b), item (vi)(c) or item (vi)(e) of Appendix I of this Circular or otherwise on any other lawful ground, the termination shall be without prejudice to any rights under or in relation to the Diposal SSA or Supplemental Disposal SSA which may have accrued to a party against another;

(c) without prejudice to item (vii)(b) of Appendix I of this Circular and in addition to the provisions above, if GIL or Sinotop should breach any of the provisions of the Disposal SSA or Supplemental Disposal SSA under item (vi)(b) of Appendix I of this Circular, the non-defaulting party to the Disposal SSA or Supplemental Disposal SSA shall be entitled to seek specific performance set under the Disposal SSA or Supplemental Disposal SSA respectively;

(d) If Sinotop does not complete the transfer of all or any of the Tranche 1 Sale Shares in accordance to item (iv)(Tranche 1 Completion) of Appendix I of this Circular, 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 Disposal SSA or Supplemental Disposal SSA shall cease and the Disposal SSA or Supplemental Disposal SSA respectively determines.

(e) If GIL fails to pay the First Cash Payment to Sinotop in accordance to item (iv)(Tranche 1 Completion) of Appendix I of this Circular, 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 or

Supplemental Disposal SSA shall cease and the Disposal SSA or Supplemental Disposal SSA respectively determines.

(f) If Sinotop does not complete the transfer of all or any of the Tranche 2 Sale Shares in accordance to item (iv)(Tranche 2 Completion) of Appendix I of this Circular, the parties agree that GIL, in case of non-compliance by Sinotop, shall be entitled to seek for specific performance under the Disposal SSA or Supplemental Disposal SSA.

(g) If GIL fails to pay the Second Cash Payment to Sinotop on in accordance to item (iv)(Tranche 2 Completion) of Appendix I of this Circular, the parties agree that Sinotop, in case of non-compliance by GIL, shall be entitled to seek for specific performance of this Agreement.

(h) If Sinotop does not complete the transfer of all or any of the Tranche 3 Sale Shares in accordance with item (iv)(Tranche 3 Completion) of Appendix I of this Circular, the parties agree that GIL, in case of non-compliance by Sinotop, shall be entitled to seek for specific performance of this Agreement.

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1. BACKGROUND

Be Top is a direct wholly-owned subsidiary of Sinotop and was incorporated in the BVI under the BVI Business Companies Act, 2004 on 19 January 2006 under the name of Be Top Group Limited. The principal activity of Be Top is investment holding.

The percentage of revenue of Be Top Group for the audited FYE 31 December 2016, 18-month FPE 30 June 2018, FYE 30 June 2019 and unaudited consolidated results for the nine (9)-month FPE 31 March 2020 are as follows:

	Audited						Unaudited	
	FYE 31 December 2016		18-month FPE 30 June 2018		FYE 30 June 2019		Nine (9)-month FPE 31 March 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
PRC	154,848	90.09	196,249	94.98	109,876	100.00	79,501	100.00
Outside PRC	17,041	9.91	10,364	5.02	-	-	-	-
Total	171,889	100.00	206,613	100.00	109,876	100.00	79,501	100.00

Top Textile is Be Top's sole wholly-owned operating subsidiary. Top Textile's customers are mainly garment manufacturers, established companies in PRC engaged in fabric painting and dyeing, fabric wholesalers and trading companies as well as fabric procurement agents who are involved in the business of importing and/or exporting fabric, which nonetheless are muted on the back of trade war and sanction.

The details of Top Textile's raw materials and their supplier where they are purchased from are as follows:

Type of raw materials	Suppliers
Polyester yarn and polyester cotton yarn	Anhui Hua Mao, Binzhou Jia Bin, Dongying Zhong Da, Gaoyou Jing Wei, Jiangsu Heng Li, Jiangsu Yue Da, Jiangyin Lan Bao Shi, Nantong Da Fu Hao, Nantong Shuang Hong
Cotton yarn	Anhui Hua Mao, Binzhou Jia Bin, Dongying Zhong Da, Gaoyou Jing Wei, Hangzhou Dong Fu, Huzhou Hai Rui, Hua Fang Group, Jianhu Xing Yu, Jiangsu Xin Guang, Jiangyin Lan Bao Shi
Elastic yarn	Anhui Zhong Fang, Binzhou Jia Bin, Binzhou Jia Run, Changzhou Tianhong Wei Ye, Dongli Guo Ji, Changzhou Tianhong Wei Ye, Haining Heng Yuan Da, Hangzhou Lan Shan, Jiaxing You Tai
Nylon yarn	Yiwu Hua Ding

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The size and location of Top Textile's factory are as follows:

Location	Description	Area	Use of the land/building	Tenure
Huaying Village, Lili Town, Wujiang City, Jiangsu Province, PRC (now known as Fenhu Economic Development Zone, Wujian City, Jiangsu Province, PRC)	Land	81,790 square meters	Industrial	50 years expiring 20 April 2056
	Factory building and employee's dormitory	30,195 square meters	Industrial	50 years expiring 20 April 2056
	A warehouse building	31,517 square meters	Industrial	50 years expiring 20 April 2056

The annual production capacity and output of the factory for the past three (3) FYE/FPE up to the audited FYE 30 June 2019 are as follows:

	Audited					
	FYE 31 December 2016		18-month FPE 30 June 2018		FYE 30 June 2019	
	Capacity (meters)	Actual Output (meters)	Capacity (meters)	Actual Output (meters)	Capacity (meters)	Actual Output (meters)
Polyester cotton fabric	1,960,719	1,568,575	2,613,034	2,090,427	2,031,998	1,625,598
Cotton brocade fabric	234,486	-	36,461	29,169	24,089	19,271
Pure cotton fabric	11,980,531	9,605,224	10,312,669	8,250,135	4,889,771	3,911,817
Spandex fabric	-	-	-	-	18,422,961	14,738,369
Total	37,647,696	29,951,367	21,401,287	33,921,029	25,368,819	20,295,055

2. SHARE CAPITAL

As at the LPD, the issued share capital of Be Top is USD200 comprising 200 Be Top Shares.

3. DIRECTORS

As at the LPD, the details of the directors of Be Top and their respective shareholdings in Be Top by virtue of them being the representatives of Sinotop are as follows:

Name of director	Nationality	Direct		Indirect	
		No. of Be Top Shares	%	No. of Be Top Shares	%
Pan Ding	Chinese	-	-	(i)200	100
Pan Dong	Chinese	-	-	-	-

Note:

(i) Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in GIL which is a major shareholder of Sinotop.

4. SHAREHOLDERS

As at the LPD, the details of the shareholders of Be Top and their shareholdings in Be Top are as follows:

Name of shareholder	Country of incorporation/ Nationality	Direct		Indirect	
		No. of Be Top Shares	%	No. of Be Top Shares	%
Sinotop	Malaysia	200	100	-	-
GIL	BVI	-	-	(i)200	100
Pan Ding	Chinese	-	-	(ii)200	100

Notes:

(i) Deemed interest by virtue of its shareholding in Sinotop pursuant to Section 8 of the Act.

(ii) Deemed interest pursuant to Section 8 of the Act by virtue of his shareholding in GIL which is a major shareholder of Sinotop.

5. SUBSIDIARY AND ASSOCIATE COMPANY

As at the LPD, the subsidiary company of Be Top is as follows:

Name of company	Place/Date of incorporation	Paid-up capital (RMB)	Effective equity interest (%)	Principal activities
Top Textile	PRC/13 March 2006(i)	142.22 million	100.0	Investment holding, production of customised woven loom-state fabrics made from cotton, synthetic and mixed yarn.

Note:

(i) It was incorporated under the PRC Law of Wholly Foreign-Owned Enterprises, in the name of Top Textile (Suzhou) Co., Ltd..

As at the LPD, Be Top has no associate company.

6. JOINT VENTURE COMPANY

As at the LPD, the joint venture company of Be Top Group is as follows:

Name of company	Place/Date of incorporation	Paid-up capital (RMB)	Effective equity interest (%)	Principal activities/ Principal market
HL Painting Co. ("**Han Ling**")	PRC/15 October 2014	15.00 million	50.00	Sale of packaging materials; production of coated glass and plastic products; self-operated and import and export business of various commodities and technologies as agent. The principal markets for its service are customers from PRC.

7. FINANCIAL INFORMATION

A summary of Be Top's audited consolidated financial information for the FYE 31 December 2016, 18-month FPE 30 June 2018, FYE 30 June 2019 and unaudited consolidated results for the nine (9)-month FPE 31 March 2020 are as follows:

	Audited						Unaudited	
	FYE 31 December 2016		18-month FPE 30 June 2018		FYE 30 June 2019		Nine (9)-month FPE 31 March 2020	
	RMB'000	(i)RM'000	RMB'000	(i)RM'000	RMB'000	(i)RM'000	RMB'000	(i)RM'000
Issued share capital	2	1.29	2	1.22	2	1.00	2	1.00
Revenue	276,215	171,889	328,478	206,613	181,763	109,876	133,727	79,501
PBT/(LBT)	9,117	5,673	4,743	2,983	(6,506)	(3.932)	12,031	7,153
PAT/(LAT)	5,625	3,500	1,068	672	(8,756)	(5,292)	10,331	6,142
NA attributable to the owners of the company	359,676	232,171	360,744	220,054	351,988	212,108	365,784	221,996
Total borrowings	-	-	-	-	-	-	-	-
Number of Be Top Shares	200	200	200	200	200	200	200	200
NA per Be Top Share(ii)	1,798	1,161	1,804	1,100	1,760	1,061	1,829	1,110
Net EPS/(LPS) per Be Top Share(iii)	28	18	5	3	(44)	(26)	29.30	29.30
Current ratio (times)(iv)	20.12	20.12	32.37	32.37	14.90	14.90	-	-
Gearing (times)	-	-	-	-	-	-	2	1.00

(Source: Audited consolidated financial statements of Be Top for the FYE 31 December 2016, 18-month FPE 30 June 2018, FYE 30 June 2019 and unaudited consolidated results for the nine (9)-month FPE 31 March 2020)

Notes:

(i) *Converted based on the following exchange rates for the respective FYE/FPE:*

	Average rate for the financial year/period	*End of the FYE/FPE*
FYE 31 December 2016	*0.6223*	*0.6455*
18-month FPE 30 June 2018	*0.6290*	*0.6100*
FYE 30 June 2019	*0.6045*	*0.6026*
Nine (9)-month FPE 31 March 2020	*0.5945*	*0.6069*

(ii) *Computed based on total NA attributable to the owners of the company divided by total number of Be Top Shares.*

(iii) *Net EPS/(LPS) is computed based on the PAT/(LAT) divided by the number of Be Top Shares.*

(iv) *Computed based on total current assets divided by total current liabilities.*

Commentaries on past financial performance

The financial performance of Be Top Group in respect of the three (3) financial years/period from FYE 31 December 2016 to FYE 30 June 2019 and the nine (9)-month FPE 31 March 2020 under review are summarised as follows:

FYE 31 December 2016

Be Top Group recorded a revenue of approximately RM171.89 million for the FYE 31 December 2016, which is a significant decrease of approximately RM13.73 million, representing a decrease of 7.40% as compared to FYE 31 December 2015. The decrease in revenue was a result of lower sales of fabric products due to waning demand for its products and services from customers as a result of heightened competition in the fabric production business in PRC and other countries.

Be Top Group recorded a PAT of approximately RM3.50 million for the FYE 31 December 2016, which is a decrease of approximately RM0.67 million, representing a decrease of 16.15% as compared to FYE 31 December 2015. The decrease in PAT was primarily contributed by the abovementioned decrease in revenue as well as the recognition of its share of net loss of approximately RM1.78 million in Han Ling.

18-month FPE 30 June 2018

Be Top Group recorded an 18-month revenue of approximately RM206.61 million (equivalent to an annualised 12-month revenue of approximately RM137.74 million) for the FPE 30 June 2018. Sales revenue of fabric products further deteriorated to RM137.74 million (annualised 12-month revenue) as compared to RM171.89 million of sales revenue recorded in FYE 31 December 2016 due to weaker demand for its fabric products as a result of stiff competition and more stringent regulatory requirements imposed by the PRC government.

Be Top Group recorded a PAT of approximately RM0.67 million (equivalent to an annualised 12-month PAT of RM0.45 million) for the FPE 30 June 2018 representing a significant decrease in PAT as compared to the PAT of RM3.50 million in the FYE 31 December 2016. The decrease in PAT was mainly contributed by the higher production costs in PRC, loss on disposal of obsolete machinery of approximately RM2.68 million and the fluctuation of exchange rates between the RMB and RM.

FYE 30 June 2019

Be Top Group recorded a revenue of approximately RM109.88 million for the FYE 30 June 2019, representing a deterioration of RM27.86 million compared to the annualised 12-month revenue of RM137.74 million recorded in the FPE 30 June 2018. The deterioration of sales revenue was due to weaker demand for its fabric products as a result of stiff competition amongst producers in the PRC as well as effect from the prolonged unresolved trade war between the United States and PRC.

Be Top Group recorded a LAT of approximately RM5.29 million for the FYE 30 June 2019 representing a significant decrease in PAT as compared to the annualised 12-month PAT of RM0.45 million in the FPE 30 June 2018. The decrease in PAT was mainly contributed by the abovementioned decrease in revenue, the increase in administrative expenses and other operating expenses.

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Nine (9)-month FPE 31 March 2020

The revenue for nine (9)-month FPE ended 31 March 2020 was RM79.50 million, which is a decrease of RM8.04 million compared to the revenue of RM87.54 million in the corresponding nine (9)-month FPE ended 31 March 2019. The decrease in revenue was resulted from drop in the sales of fabric products - as a result of the prolonged unresolved trade war with USA, trade sanctions imposed on Iran, weaker global demand on fabric products exaggerated even to a larger extent since the eruption of the COVID-19 pandemic in January 2020.

8. TYPE OF ASSETS OWNED

The details of the total assets of Be Top Group based on the audited consolidated financial statements of Be Top for the FYE 30 June 2019 is as follows:

	RM'000
Investment in a joint venture	7,243
Property, plant and equipment	49,921
Land use rights	6,300
Investment property	4,019
Inventories	11,305
Trade receivables	31,443
Other receivables and deposits	4,234
Amount due from holding company	35,733
Short-term investment	56,614
Fixed deposits with licensed banks	1,085
Cash and bank balances	14,631
	222,528

9. ACCOUNTING POLICIES AND AUDIT QUALIFICATION

For the past three (3) FYE/FPE up to and including FYE 30 June 2019:

(i) there were no exceptional or extraordinary items reported in Be Top's audited financial statements;

(ii) there are no accounting policies adopted by Be Top which are peculiar to Be Top due to the nature of its business of the industry in which it is involved in; and

(iii) Be Top's external auditors had not issued any audit qualification on its financial statements.

10. MATERIAL COMMITMENTS

As at the LPD, the board of directors of Be Top are not aware of any material commitments incurred or known to be incurred by Be Top Group that is likely to have an impact on Be Top Group's profits or NA upon becoming enforceable.

11. CONTINGENT LIABILITIES

As at the LPD, the board of directors of Be Top was not aware of any contingent liabilities, incurred or known to be incurred by Be Top Group that is likely to have an impact on Be Top Group's profits or NA upon becoming enforceable.

12. MATERIAL CONTRACTS

As at the LPD, Be Top Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceeding the date of this Circular.

13. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Be Top Group was not engaged in any material litigation, claims or arbitration, either as a plaintiff or defendant, and the board of directors of Be Top are not aware and do not have any knowledge of any proceedings pending or threatened against Be Top Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of Be Top Group.

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BE TOP GROUP LIMITED

(Incorporated in The British Virgin Islands)

Company No: 1006278

FINANCIAL REPORT

for the financial year ended to 30 June 2019

BE TOP GROUP LIMITED
(Incorporated in The British Virgin Islands)
Company No: 1006278

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BE TOP GROUP LIMITED
(Incorporated in The British Virgin Islands)
Company No: 1006278

STATEMENT BY DIRECTORS

We, Pan Ding and Pan Dong, being the two directors of Be Top Group Limited, state that, in our opinion, the consolidated financial statements set out on pages 7 to 55 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as of 30 June 2019 and of its financial performance and cash flows for the financial year then ended on that date.

Pan Ding

Pan Dong

Crowe

Crowe Malaysia PLT
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BE TOP GROUP LIMITED

(Incorporated in The British Virgin Islands)
Company No: 1006278

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Be Top Group Limited ("the Group"), which comprise the statement of financial position as at 30 June 2019 of the Group, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 55.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at 30 June 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Crowe

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BE TOP GROUP LIMITED (CONT'D)
(Incorporated in The British Virgin Islands)
Company No: 1006278

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Financial Statements

The directors of the Group are responsible for the preparation of financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Crowe

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BE TOP GROUP LIMITED (CONT'D)
(Incorporated in The British Virgin Islands)
Company No: 1006278

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Crowe

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BE TOP GROUP LIMITED (CONT'D)

(Incorporated in The British Virgin Islands)
Company No: 1006278

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also (Cont'd):

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group, including the disclosures, and whether the financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BE TOP GROUP LIMITED (CONT'D)
(Incorporated in The British Virgin Islands)
Company No: 1006278

OTHER MATTERS

This report is made solely to the members of the Company, as a body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Kuala Lumpur

3 0 OCT 2019

BE TOP GROUP LIMITED

(Incorporated in The British Virgin Islands)
Company No: 1006278

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

		The Group	
		2019	2018
	Note	RMB'000	RMB'000
ASSETS			
NON-CURRENT ASSETS			
Investment in a joint venture	7	12,019	9,869
Property, plant and equipment	8	82,843	69,396
Land use rights	9	10,177	10,455
Investment property	10	6,669	6,669
		111,708	96,389
CURRENT ASSETS			
Land use rights	9	278	278
Inventories	11	18,760	21,818
Trade and other receivables	12	59,206	90,256
Amount owing by immediate holding company	13	59,297	59,810
Short-term investments	14	93,950	60,000
Fixed deposits with a licensed bank	15	1,800	2,070
Cash and bank balances		24,279	38,551
		257,570	272,783
TOTAL ASSETS		369,278	369,172
EQUITY AND LIABILITY			
EQUITY			
Share capital	16	2	2
Contribution from holding company	17	113,229	113,229
Statutory reserve	18	31,808	31,808
Retained profits		206,949	215,705
TOTAL EQUITY		351,988	360,744
CURRENT LIABILITIES			
Trade and other payables	19	17,045	7,803
Current tax liabilities		245	625
		17,290	8,428
TOTAL EQUITY AND LIABILITY		369,278	369,172

The annexed notes form an integral part of these financial statements.

BE TOP GROUP LIMITED
(Incorporated in The British Virgin Islands)
Company No: 1006278

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		The Group	
	Note	1.7.2018 to 30.6.2019 RMB'000	1.1.2017 to 30.6.2018 RMB'000
REVENUE	20	181,763	328,478
COST OF SALES		(169,417)	(308,485)
GROSS PROFIT		12,346	19,993
OTHER INCOME	21	7,588	8,593
		19,934	28,586
DISTRIBUTION AND MARKETING EXPENSES		(1,478)	(5,205)
ADMINISTRATIVE EXPENSES		(12,205)	(9,652)
OTHER OPERATING EXPENSES		(14,907)	(8,043)
SHARE OF RESULTS IN A JOINT VENTURE, NET OF TAX		2,150	(943)
(LOSS)/PROFIT BEFORE TAXATION	22	(6,506)	4,743
INCOME TAX EXPENSE	23	(2,250)	(3,675)
(LOSS)/PROFIT AFTER TAXATION		(8,756)	1,068
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE FINANCIAL YEAR/PERIOD		(8,756)	1,068
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-			
Owners of the Company		(8,756)	1,068
TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:-			
Owners of the Company		(8,756)	1,068

The annexed notes form an integral part of these financial statements.

BE TOP GROUP LIMITED
(Incorporated in The British Virgin Islands)
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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Share Capital RMB'000	Contribution from Holding Company RMB'000	Non-Distributable Statutory Reserve RMB'000	Distributable Retained Profits RMB'000	Total RMB'000
The Group					
Balance at 1.1.2017	2	113,229	31,723	214,722	359,676
Profit after taxation/Total comprehensive income for the financial period	-	-	-	1,068	1,068
Transfer to statutory reserve	-	-	85	(85)	-
Balance at 30.6.2018/1.7.2018	2	113,229	31,808	215,705	360,744
Loss after taxation/Total comprehensive expenses for the financial year	-	-	-	(8,756)	(8,756)
Balance at 30.6.2019	2	113,229	31,808	206,949	351,988

The annexed notes form an integral part of these financial statements.

BE TOP GROUP LIMITED

(Incorporated in The British Virgin Islands)
Company No: 1006278

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		The Group	
		1.7.2018 to 30.6.2019	**1.1.2017 to 30.6.2018**
	Note	RMB'000	RMB'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES			
(Loss)/Profit before taxation		(6,506)	4,743
Adjustments for:-			
Allowance for impairment losses on trade receivables		10,849	3,705
Amortisation of land use rights		278	417
Depreciation of property, plant and equipment		5,636	11,289
Inventories written down		709	-
Inventories written off		-	69
Loss on disposal of property, plant and equipment		-	4,255
Property, plant and equipment written off		3,349	-
Share of results of a joint venture		(2,150)	943
Unrealised (gain)/loss on foreign exchange		(1,355)	7
Interest income		(4,450)	(4,182)
Writeback of allowance for impairment losses on trade receivables		(9)	(2,373)
Operating profit before working capital changes		6,351	18,873
Decrease/(Increase) in amount owing by holding company		513	(50,186)
Decrease in inventories		2,349	4,166
Decrease in trade and other receivables		21,565	18,295
Increase/(Decrease) in trade and other payables		9,242	(3,690)
CASH FROM/(FOR) OPERATIONS		40,020	(12,542)
Income tax paid		(2,630)	(4,250)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		37,390	(16,792)
CASH FLOWS FOR INVESTING ACTIVITIES			
Additional investment in a joint venture		-	(3,600)
Withdrawal/(Placement) of fixed deposits with tenure more than 3 months		270	(1,380)
Purchase of property, plant and equipment		(22,432)	(18,876)
Refund of an investment property		-	2,331
Interest received		4,450	4,182
Purchase of short-term investment		(33,950)	(60,000)
Proceeds from disposal of property, plant and equipment		-	818
Proceeds from disposal of an investment		-	23,058
NET CASH FOR INVESTING ACTIVITIES		(51,662)	(53,467)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(14,272)	(70,259)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		38,551	108,810
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	24	24,279	38,551

The annexed notes form an integral part of these financial statements.

BE TOP GROUP LIMITED

(Incorporated in The British Virgin Islands)
Company No: 1006278

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. GENERAL INFORMATION

The Company is a private company, incorporated and domiciled in The British Virgin Islands. The registered office and principal place of business are as follows:-

Registered office	:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, The British Virgin Islands.
Principal place of business	:	Fenhu Economic Development Zone, Wujiang City, Jiangsu Province, The People's Republic of China ("PRC"), 215212.

2. HOLDING COMPANIES

The immediate and ultimate holding companies are Sinotop Holdings Berhad and Gifted Investments Limited, respectively. Sinotop Holdings Berhad is a company incorporated in Malaysia while Gifted Investment Limited is a company incorporated in The British Virgin Islands.

3. PRINCIPAL ACTIVITIES

The principal activities of the entities under the Group are as follows:-

	Name of Company	Country of Incorporation	Principal Activities
i)	Be Top Group Limited ("Be Top")	The British Virgin Islands	Investment holding.
ii)	Top Textile (Suzhou) Co., Ltd. ("Top Textile")	PRC	Investment holding, production of customised woven loom-state fabrics made from cotton, synthetic and mixed yarn.

BE TOP GROUP LIMITED
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Company No: 1006278

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

4.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Chinese Renminbi ("RMB"). The currencies giving rise to this risk are primarily United States Dollar ("USD"), Ringgit Malaysia ("RM") and Hong Kong Dollar ("HKD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Foreign Currency Exposure

The Group	United States Dollar RMB'000	Chinese Renminbi RMB'000	Hong Kong Dollar RMB'000	**Total** RMB'000
2019				
Financial assets				
Trade and other receivables	3,876	55,330	-	59,206
Amount owing by immediate holding company	-	59,297	-	59,297
Short-term investment	-	93,950	-	93,950
Fixed deposits with licensed banks	-	1,800	-	1,800
Cash and bank balances	1	24,230	48	24,279
	3,877	234,607	48	238,532
Financial liability				
Trade and other payables	-	16,976	-	16,976
Net financial assets	3,877	217,631	48	221,556
Less: Net financial assets denominated in the respective entities' functional currencies	-	(217,631)	-	(217,631)
Currency exposure	3,877	-	48	3,925

BE TOP GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. FINANCIAL INSTRUMENTS (CONT'D)

4.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	United States Dollar RMB'000	Chinese Renminbi RMB'000	Hong Kong Dollar RMB'000	**Total** RMB'000
2018				
Financial assets				
Trade and other receivables	2,806	87,450	-	90,256
Amount owing by immediate holding company	-	59,810	-	59,810
Short-term investment	-	60,000	-	60,000
Fixed deposits with license banks	-	2,070	-	2,070
Cash and bank balances	1	38,480	70	38,551
	2,807	247,810	70	250,687
Financial liability				
Trade and other payables	-	7,581	-	7,581
Net financial assets	2,807	240,229	70	243,106
Less: Net financial assets denominated in the respective entities' functional currencies	-	(240,229)	-	(240,229)
Currency exposure	2,807	-	70	2,877

BE TOP GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. FINANCIAL INSTRUMENTS (CONT'D)

4.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	The Group	
	2019	**2018**
	RMB'000	RMB'000
Effects on (Loss)/Profit After Taxation		
USD/RMB - strengthened by 20%	- 581	+421
- weakened by 20%	+581	- 421
HKD/RMB - strengthened by 20%	- 7	+11
- weakened by 20%	+7	- 11

(ii) Interest Rate Risk

The Group does not have any interest-bearing borrowings and hence, is not exposed to interest rate risk.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

BE TOP GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. FINANCIAL INSTRUMENTS (CONT'D)

4.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to immediate holding company. The Company monitors the results of this holding company regularly and repayments made by the holding company.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amount owing by three customers which constituted approximately 48% of its trade receivables as at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

The exposure of credit risk for trade receivables by geographical region is as follows:-

	The Group	
	2019	**2018**
	RMB'000	RMB'000
PRC	52,179	77,110
United Arab Emirates	-	826
Others	-	1,980
	52,179	79,916

(iii) Asessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

BE TOP GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. FINANCIAL INSTRUMENTS (CONT'D)

4.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Asessment of Impairment Losses (Cont'd)

Trade Receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than a year, are deemed credit impaired.

The expected loss rates are based on the payment profiles of sales over a period of 1 year from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below:-

The Group	Gross Amount RMB'000	Lifetime Loss Allowance RMB'000	Carrying Amount RMB'000
2019			
Not past due			
- credit term of 90 days	31,095	-	31,095
- credit term of 120 days	9	-	9
- credit term of 180 days	5,118	-	5,118
	36,222	-	36,222
Past due:			
- less than 3 months	13,785	-	13,785
- 3 to 6 months	1,317	-	1,317
	15,102	-	15,102
	51,324	-	51,324
Credit impaired			
- past due more than 6 months	2,910	(2,055)	855
- individually impaired	13,045	(13,045)	-
Trade receivables	67,279	(15,100)	52,179

BE TOP GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. FINANCIAL INSTRUMENTS (CONT'D)

4.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Asessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

In the last financial period, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables is as follows:-

The Group	Gross Amount RMB'000	Individual Impairment RMB'000	Collective Impairment RMB'000	Carrying Amount RMB'000
2018				
Not past due				
- credit term of 90 days	43,665	-	-	43,665
- credit term of 120 days	5	-	-	5
- credit term of 180 days	9,259	-	-	9,259
	52,929	-	-	52,929
Past due:				
- less than 3 months	5,499	-	-	5,499
- 3 to 6 months	3,864	-	-	3,864
- over 6 months	21,884	-	(4,260)	17,624
	31,247	-	(4,260)	26,987
	84,176	-	(4,260)	79,916

The movements in the loss allowances in respect of trade receivables is disclosed in Note 12 to the financial statements respectively.

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Holding Company (Non-trade Balances)

No expected credit loss is recognised on amount owing by holding company as it is negligible.

4. FINANCIAL INSTRUMENTS (CONT'D)

4.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and adequate working capital to meet its obligation as and when they fall due.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Carrying Amount RMB'000	Contractual Cash Flows RMB'000	Within 1 Year RMB'000
2019			
Non-derivative Financial Liability			
Trade and other payables	16,976	16,976	16,976
2018			
Non-derivative Financial Liability			
Trade and other payables	7,581	7,581	7,581

4.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total net borrowings from financial institutions divided by total equity.

As the Group does not have any borrowings from financial institutions, the debt-to-equity ratio is not presented as it does not provide a meaningful indicator of risk of borrowings.

BE TOP GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. FINANCIAL INSTRUMENTS (CONT'D)

4.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group 2019 RMB'000
Financial Assets	
Designated at Fair Value Through Profit or Loss Upon Initial Recognition	
Short-term investment	93,950
Amortised Cost	
Trade and other receivables	59,206
Amount owing by immediate holding company	59,297
Fixed deposits with licensed banks	1,800
Cash and bank balances	24,279
	144,582
Financial Liability	
Amortised Cost	
Trade and other payables	16,976

	2018 RMB'000
Financial Assets	
Fair Value Through Profit or Loss	
Short-term investment	60,000
Loans and Receivables Financial Assets	
Trade and other receivables	90,256
Amount owing by immediate holding company	59,810
Fixed deposits with licensed banks	2,070
Cash and bank balances	38,551
	190,687
Financial Liability	
Other Financial Liability	
Trade and other payables	7,581

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

4. FINANCIAL INSTRUMENTS (CONT'D)

4.4 GAINS ARISING FROM FINANCIAL INSTRUMENTS

	The Group 2019 RMB'000
Financial Asset	
Amortised Cost	
Net gains recognised in profit or loss	(6,390)

	2018 RMB'000
Financial Asset	
Loans and Receivables Financial Asset	
Net gains recognised in profit or loss	(2,825)

4.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Group maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the previous reporting period:-

The Group	Fair Value of Financial Instruments Carried at Fair Value Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair Value of Financial Instruments not Carried at Fair Value Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total Fair Value RMB'000	Carrying Amount RMB'000
2018								
Financial Asset								
Short-term investments	-	93,950	-	-	-	-	93,950	93,950
2018								
Financial Asset								
Short-term investments	-	60,000	-	-	-	-	60,000	60,000

5. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

BE TOP GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

5. BASIS OF PREPARATION (CONT'D)

5.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and IC Interpretations (Including The Consequential Amendments)

MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 – Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 – 2016 Cycles
- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not any material impact on the Group's financial statements except as follows:-

MFRS 9 introduces a new classification and measurement requirements for financial assets that reflects the business model in which the financial assets are managed and their cash flow characteristics. MFRS 9 contains 3 principal classification categories for financial assets i.e. measured at amortised cost, fair value through profit or loss, fair value through other comprehensive income and eliminates the previous categories of held to maturity, loans and receivables and available-for-sale financial assets. In addition, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with the 'expected credit loss' model. This new impairment approach is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The measurement of financial assets under MFRS 9 is consistent to the Group's current practice and the new classification of financial assets under MFRS 9 is disclosed in Note 4.3 to the financial statements.

MFRS 15 requires an entity to recognise revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. In addition, more guidance has been added in MFRS 15 to deal with specific scenarios. The timing and amount of revenue recognised under MFRS 15 is consistent to the Group's current practice.

BE TOP GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

5. BASIS OF PREPARATION (CONT'D)

5.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

The adoption of the above accounting standards and/or interpretations (including the consequential amendments) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial positon (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 8 to the financial statements.

(b) Impairment of Non-financial Assets

The Group determines whether their non-financial asset is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of non-financial assets as at the reporting date are disclosed in the respective notes to the financial statements.

(c) Fair Value Estimates for Unquoted Financial Asset

The Group carries financial asset that are not traded in an active market at fair value. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The amount of fair value changes would differ if the Group uses different valuation methodologies and assumptions, and eventually affect profit and/or other comprehensive income. The carrying amount of this financial asset as at the reporting date are disclosed in Note 14 to the financial statements.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 11 to the financial statements.

(e) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date are disclosed in Note 12 to the financial statements.

(f) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables as at the reporting date are disclosed in Note 12 to the financial statements.

(g) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment properties.

6.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 (2018 – MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

6.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.3 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in joint ventures that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in joint ventures that includes a foreign operation while retaining joint control, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definition in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities (Cont'd)

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Statutory Reserve

The Company's subsidiary in the PRC is required to maintain certain statutory reserves by appropriating from profit after taxation in accordance with the relevant laws and regulations in the PRC and articles of association of the subsidiary before declaration or payment of dividends. The reserves form part of the equity of the Company. The statutory reserve fund can be used to increase the registered capital and eliminate future losses of the subsidiary, but it cannot be distributed to shareholders except in the event of a solvent liquidation of the subsidiary.

The appropriation to the statutory surplus reserve represents 10 percent of the profit after taxation of each individual PRC subsidiary. In accordance with the laws and regulations in the PRC, the appropriations to statutory reserve cease when the balances of the reserve reach 50 percent of the registered capital of the subsidiary. The statutory reserve is not distributable by way of dividends.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS (CONT'D)

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

<u>Accounting Policies Applied Until 30 June 2018</u>

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 July 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with the their previous accounting policies as summarised below:-

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives were also classified as held for trading unless they were designated as hedges. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.

- Trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 FINANCIAL INSTRUMENTS (CONT'D)

Accounting Policies Applied Until 30 June 2018 (Cont'd)

- Available-for-sale financial assets were non-derivative financial assets not classified in any of the other categories. After initial recognition, available-for-sale financial assets were remeasured to fair value at each reporting date with any gain and loss recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve was reclassified from equity into profit or loss. Investments in equity instruments whose fair value cannot be reliably measured were measured at cost less accumulated impairment losses, if any.

6.5 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

	Estimated Useful Lives
Factory buildings	50 years
Plant and machinery	12 years
Office equipment	5 years
Motor vehicles	5 years
Renovation	5 years

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

6.6 CAPITAL WORK-IN-PROGRESS

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken (if any) to finance the acquisition of the assets to the date that the assets are complete and put into use.

6.7 LAND USE RIGHTS

All land in China is owned by the State or collectives. Individuals and companies are permitted to acquire land use rights for general or specific purposes. In the case when land is used for industrial purposes, the land use rights are granted for a period of 50 years. The rights may be renewed at the expiration of the initial and any subsequent terms according to the relevant Chinese laws. Granted land use rights are transferable and may be used as security for borrowings and other obligations.

The cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease term of the land of 50 years. The portion of the land use rights to be amortised over the next 12 months is reflected as current assets. The amortisation expense is recognised in the profit or loss.

6.8 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.8 INVESTMENT PROPERTIES (CONT'D)

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

6.9 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.9 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

Accounting Policy Applied Until 30 June 2018

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 July 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information on the impairment of the Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

6.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

6.12 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

6.13 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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NOTES TO THE FINANCIAL STATEMENTS
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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.13 INCOME TAXES (CONT'D)

(b) Deferred Tax (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Value added tax ("VAT")

The Group's sales of goods in the PRC are subject to VAT at the applicable tax rate for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the consolidated statements of financial position.

Revenue, expenses and assets are recognised net of the amount of VAT except:-

(i) where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of VAT included.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.14 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

6.15 JOINT ARRANGEMENTS

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements returns.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

(a) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, the obligations for the liabilities, relating to the arrangement. The Group accounts for each of its interest in the joint operations the assets, liabilities, revenue and expenses (including its share of those held or incurred jointly with the other investors) in accordance with the applicable accounting standards.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.15 JOINT ARRANGEMENTS (CONT'D)

(b) Joint Ventures

A joint venture is a joint arrangement whereby the Group has rights only to the net assets of the arrangement.

The investment in a joint venture is accounted for in the consolidated financial statements using the equity method, based on the financial statements of the joint venture made up to the end of reporting period. The Group's share of the post-acquisition profits and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that joint control commences up to the effective date when the investment ceases to be a joint venture or when the investment is classified as held for sale. The Group's interest in the joint venture is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation.

Unrealised gains on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless cost cannot be recovered.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9 (2018 – MFRS 139). Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that joint venture to profit or loss when the equity method is discontinued. However, the Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. Under such change in ownership interest, the retained investment is not remeasured to fair value but a proportionate share of the amounts previously recognised in other comprehensive income of the joint venture will be reclassified to profit or loss where appropriate. All dilution gains or losses arising in investments in joint ventures are recognised in profit or loss.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.16 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed todate.

Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

6.17 REVENUE FROM OTHER SOURCES AND OTHER INCOME

Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

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7. INVESTMENT IN A JOINT VENTURE

	The Group	
	2019	**2018**
	RMB'000	RMB'000
Unquoted investment, at cost		
At 1 July/1January	9,869	7,212
Addition during the financial year/period	-	3,600
Share of post acquisition results	2,150	(943)
	12,019	9,869

The details of the joint venture are as follows:-

Name of Joint Venture	Principal Place of Business	Effective Equity Interest		Principal Activities
		2019	**2018**	
		%	%	
HL Painting Co. ("Han Ling")*	PRC	50	50	Packaging of plastic and glass made products.

** Held through Top Textile (Suzhou) Co., Ltd.*

The Group recognised its share of results in Han Ling based on the audited financial statements drawn up for the financial period from 1 July 2018 to 30 June 2019 (2018 - from 1 January 2017 to 30 June 2018)

The summarised financial information for the joint venture is presented as follows:-

	The Group	
	2019	**2018**
	RMB'000	RMB'000
<u>At 30 June</u>		
Non-current assets	13,281	10,930
Current assets	20,660	15,910
Current liabilities	(11,904)	(9,102)
Net assets	22,037	17,738
	1.6.2018 to 30.6.2019	**1.1.2017 to 30.6.2018**
Revenue	25,492	11,788
Profit/(Loss) for the financial year/period	4,299	(1,885)

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8. PROPERTY, PLANT AND EQUIPMENT

	Factory buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Renovation RMB'000	Capital work-in-progress RMB'000	Factory equipment RMB'000	Total RMB'000
At Cost:-								
At 1.1.2017	42,149	105,658	9,693	5,707	3,504	-	-	166,711
Additions	-	70	-	-	-	18,806	-	18,876
Disposals	-	(16,554)	-	(1,588)	-	-	-	(18,142)
At 30.6.2018/1.7.2018	42,149	89,174	9,693	4,119	3,504	18,806	-	167,445
Additions	-	-	-	-	-	20,327	2,105	22,432
Written off	-	(7,431)	-	(75)	-	-	-	(7,506)
At 30.6.2019	42,149	81,743	9,693	4,044	3,504	39,133	2,105	182,371
Accumulated Depreciation:-								
At 1.1.2017	7,282	77,532	8,715	3,313	2,987	-	-	99,829
Depreciation charge	1,264	8,975	8	806	236	-	-	11,289
Disposals	-	(11,640)	-	(1,429)	-	-	-	(13,069)
At 30.6.2018/1.7.2018	8,546	74,867	8,723	2,690	3,223	-	-	98,049
Depreciation charged	843	3,742	1	504	154	309	83	5,636
Written off	-	(4,090)	-	(67)	-	-	-	(4,157)
At 30.6.2019	9,389	74,519	8,724	3,127	3,377	309	83	99,528
Carrying amount:-								
At 30.6.2018	33,603	14,307	970	1,429	281	18,806	-	69,396
At 30.6.2019	32,760	7,224	969	917	127	38,824	2,022	82,843

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9. LAND USE RIGHTS

	The Group	
	2019	**2018**
	RMB'000	RMB'000
At cost	13,899	13,899
Accumulated amortisation:-		
At 1 July/1 January	(3,166)	(2,749)
Amortisation charge	(278)	(417)
At 30 June	(3,444)	(3,166)
	10,455	10,733
Carrying amounts:-		
Amortisation due:		
- not later than one year	278	278
- later than one year	10,177	10,455
	10,455	10,733

Amortisation is provided to write off the cost of the land use rights over the leasehold period of 50 years.

10. INVESTMENT PROPERTY

	The Group	
	2019	**2018**
	RMB'000	RMB'000
At cost:-		
At 1 July 2018/1 January 2017	6,669	9,000
Refund	-	(2,331)
At 30 June	6,669	6,669

The investment property represents a commercial office building which was completed in the previous financial period. The carrying amount of the investment property approximated its fair value at the end of the reporting period.

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11. INVENTORIES

	The Group	
	2019	**2018**
	RMB'000	RMB'000
Raw materials	5,747	9,145
Finished goods	13,013	12,673
	18,760	21,818
Recognised in profit or loss:-		
Inventories recognised as cost of sales	169,417	308,485
Inventories written off	-	69

12. TRADE AND OTHER RECEIVABLES

		The Group	
		2019	**2018**
	Note	RMB'000	RMB'000
Trade receivables	(a),(b)	67,279	84,176
Notes receivable	(d)	5,430	8,110
Other receivables		72	131
Deposits	(e)	1,525	2,099
		74,306	94,516
Less: Allowance for impairment losses	(c)	(15,100)	(4,260)
		59,206	90,256

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12. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) The Group's normal trade credit terms ranged from 90 to 270 (2018 - 90 to 270) days. The analysis is as follows:-

	The Group	
	2019	**2018**
	RMB'000	RMB'000
Trade receivables:		
- credit term of 90 days	45,566	54,594
- credit term of 120 days	132	67
- credit term of 180 days	6,481	13,521
- credit term of 270 days	-	11,734
	52,179	79,916

(b) Trade receivables, net of allowance for impairment losses, which are past due amounted to approximately RMB15.957 million. Subsequent to the year end and up to 7 October 2019, an amount of approximately RMB13.335 million had been received from those debts past due. The Directors are of the opinion that the net remaining debts that were past due of approximately RMB2.622 million are recoverable.

(c) The movements in the allowance for impairment losses on trade receivables were as follows:-

	The Group	
	2019	**2018**
	RMB'000	RMB'000
At 1 July 2018/1 January 2017	(4,260)	(7,673)
Addition during the financial year/period	(10,849)	(3,705)
Write back during the financial year/period	9	2,373
Written off during the financial year/period	-	4,745
At 30 June	(15,100)	(4,260)

(d) The notes receivable represent bank acceptance bills issued by banks on behalf of third parties, which are redeemable at their face value upon maturity. The notes receivables are transferable prior to maturity and do not bear any interest.

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12. TRADE AND OTHER RECEIVABLES (CONT'D)

(e) Included in deposits are the following:-

	The Group	
	2019	**2018**
	RMB'000	RMB'000
Advances to suppliers for purchase of raw materials	1,494	2,096
Others	31	3
	1,525	2,099

The advances to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers.

13. AMOUNT OWING BY IMMEDIATE HOLDING COMPANY

The amount owing by immediate holding company represents non-trade, unsecured interest-free advances which are receivable on demand. The amount owing is to be settled in cash.

14. SHORT-TERM INVESTMENTS

	The Group	
	2019	**2018**
	RMB'000	RMB'000
Unquoted investment		
At 1 July 2018/1 January 2017	60,000	-
Additions during the financial year/period	93,950	60,000
Withdrawal during the financial year	(60,000)	-
At 30 June	93,950	60,000

The short-term investments represent the Group's investments in wealth management products of certain banks in the PRC which are designated to provide investors with a stream of income.

15. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank of the Group at the end of the reporting period bore an effective interest rate of 1.27% (2018 – 1.21%) per annum. The fixed deposits have a maturity period of 12 months (2018 – 12 months).

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16. SHARE CAPITAL

The Company is authorised to issue a maximum of 50,000 shares of a single class at a par value of USD 1.00.

The issued and paid-up share capital of the Company is as follows:-

	Issued share capital RMB'000
At 2019/2018	2

The issued and fully paid-up share capital of the Company is 200 shares of USD1.00 each. There has been no movement in the issued and fully paid-up share capital of the Company since incorporation.

17. CONTRIBUTION FROM HOLDING COMPANY

This represents unsecured interest-free advances from holding company where the settlement is neither planned nor likely to occur in the foreseeable future. The advances are, in substance, a part of the holding company's investments in the Company and are classified as a component within equity.

18. STATUTORY RESERVE

The statutory reserve represents amounts transferred from profit after taxation of Top Textile, the subsidiary established in the PRC in accordance with the PRC laws and regulations as explained in Note 6.4(d) to the financial statements.

19. TRADE AND OTHER PAYABLES

	The Group	
	2019 RMB'000	**2018** RMB'000
Trade payables	4,450	5,104
Other payables	3,949	448
Accruals	6,279	1,623
Advances from customers	2,298	406
	16,976	7,581
VAT payable	69	222
	17,045	7,803

The normal trade credit terms granted to the Group range from 60 to 90 (2018 - 60 to 90) days.

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20. REVENUE

	The Group	
	1.7.2018 to 30.6.2019 RMB'000	1.1.2017 to 30.6.2018 RMB'000
Revenue from Contracts with Customers		
Manufacturing and sale of fabric products	181,763	328,478

21. OTHER INCOME

	The Group	
	1.7.2018 to 30.6.2019 RMB'000	1.1.2017 to 30.6.2018 RMB'000
Interest income	4,450	4,182
Gain on disposal of scrap materials	633	1,953
Writeback allowance for impairment losses on trade receivables	9	2,373
Rental income	1,048	-
Unrealised foreign exchange gain	1,355	-
Others	102	85
	7,588	8,593

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22. (LOSS)/PROFIT BEFORE TAXATION

	The Group	
	1.7.2018 to 30.6.2019	**1.1.2017 to 30.6.2018**
	RMB'000	RMB'000
(Loss)Profit before taxation is arrived at after charging/(crediting):-		
Allowance for impairment losses on trade receivables	10,849	3,705
Amortisation of land use rights	278	417
Auditors' remuneration:		
- audit fee		
- current financial year/period	298	358
- underprovision in the previous financial year	-	61
- non-audit fee		
- underprovision in previous financial period	132	-
Depreciation of property, plant and equipment	5,636	11,289
Directors' remuneration	3,260	645
Inventories written down	709	-
Inventories written off	-	69
Loss on disposal of property, plant and equipment	-	4,255
Property, plant and equipment written off	3,349	-
Loss on foreign exchange:		
- realised	-	18
- unrealised	-	7
Staff costs:		
- short-term employee benefits	18,702	25,334
- defined contribution benefits	1,175	1,640

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23. INCOME TAX EXPENSE

	The Group	
	1.7.2018 to 30.6.2019	**1.1.2017 to 30.6.2018**
	RMB'000	RMB'000
Current tax expense	2,250	3,675

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	The Group	
	1.7.2018 to 30.6.2019	**1.1.2017 to 30.6.2018**
	RMB'000	RMB'000
(Loss)/Profit before taxation	(6,506)	4,743
Tax at the applicable tax rate of 25%	(1,627)	1,186
Tax effect of:-		
Non-deductible expenses	3,877	2,489
Income tax expense for the financial year/period	2,250	3,675

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24. CASH FLOW INFORMATION

The cash and cash equivalents comprise the following:-

	The Group	
	2019 RMB'000	**2018** RMB'000
Cash in hand	418	759
Cash at banks	23,861	37,792
Fixed deposits with a licensed bank	1,800	2,070
	26,079	40,621
Less: Fixed deposit with tenure of more than 3 months	(1,800)	(2,070)
	24,279	38,551

25. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group include executive directors of the Company and certain members of senior management of the Group.

	The Group	
	1.7.2018 to 30.6.2019 RMB'000	**1.1.2017 to 30.6.2018** RMB'000
Executive directors:		
- non-fee emoluments	3,260	645
Other key management personnel:		
- short-term employee benefits	469	586
- defined contribution plans	9	13
	478	599
	3,738	1,244

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26. RELATED PARTY DISCLOSURES

(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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, holding companies, joint venture, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions, bank balances and fixed deposits with the related party during the financial year/period:-

(i) The significant transactions of the Group with its related party are as follows:-

	1.7.2018 to 30.6.2019 RMB'000	1.1.2017 to 30.6.2018 RMB'000
Wujiang Rural Commerical Bank ("WRC") ^		
- Interest income	4,148	3,706

(ii) The significant outstanding balances of the Group with its related party are as follows:-

	30.6.2019 RMB'000	30.6.2018 RMB'000
WRC ^		
- bank balance	2,966	16,953
- fixed deposits	1,800	2,070
- financial products	90,000	-

^ *Mr. Pan Ding is the executive director and a major shareholder of the immediate holding company - Sinotop Holdings Berhad. He was appointed as a member to the Board of Directors of WRC since 9 March 2015. In accordance with MFRS 124 Related Party Disclosures, by virtue of his appointment to the Board of Directors of WRC, WRC is a related party of the Group.*

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

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27. CAPITAL COMMITMENTS

	The Group	
	2019 RMB'000	**2018** RMB'000
Construction of property, plant and equipment	16,669	28,514
Purchase of investment in a joint venture	-	400
	16,669	28,914

28. FOREIGN EXCHANGE RATES

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Chinese Renminbi equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	2019 RMB	**2018** RMB
Hong Kong Dollar	0.8786	0.8481
Ringgit Malaysia	1.6606	1.6393
United States Dollar	6.8656	6.6191

29. COMPARATIVE FIGURES

The Group had changed its financial year end from 31 December to 30 June effective from the previous reporting period. Consequently, the comparative figures are for the previous 18 month period from 1 January 2017 to 30 June 2018. The current financial statements are for a period of 12 months from 1 July 2018 to 30 June 2019. Due to the change in the financial year end, the amounts presented in the financial statements are not entirely comparable.

The following figures have been reclassified to conform with the presentation of the current financial year:-

	As Previously Reported RMB'000	As Restated RMB'000
The Group		
Statement of Financial Position (Extract):-		
Short-term investments	-	60,000
Fixed deposits with licensed banks	62,070	2,070

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29. COMPARATIVE FIGURES (CONT'D)

The following figures have been reclassified to conform with the presentation of the current financial year (Cont'd):-

	As Previously Reported RMB'000	As Restated RMB'000
The Group		
Statement of Cash Flows (Extract):-		
Net cash from/(for) operating activities	33,394	(16,792)
Net cash for investing activities	(84,343)	(53,467)
Cash and cash equivalents at the beginning of the financial period	109,500	108,810
Cash and cash equivalents at the end of the financial period	58,551	38,551

MAZARS

17 July 2020

The Board of Directors
Sinotop Holdings Berhad
802, 8th Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Sinotop Holdings Berhad (the "Company") and its subsidiaries (collectively, the "Group") by the directors of the Company. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 June 2019 and related notes, as set out in the Appendix A, which we have stamped for identification purposes.

The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are set out in note 1 in the Appendix A.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the transactions set out in note 1 in the Appendix A on the Group's financial position as at 30 June 2019 as if the transactions had taken place as at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the audited consolidated financial statements of the Company for the financial year ended 30 June 2019.

The Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information on the basis set out in note 1 in the Appendix A.

WISMA GOLDEN EAGLE REALTY- 11TH FLR, SOUTH BLK, 142-A - JALAN AMPANG - 50450 KUALA LUMPUR - MALAYSIA
TEL: +60 3 2161 5222 - contact@mazars.my - www.mazars.my

MAZARS PLT (LLP0010622-LCA)(AF001954)
CHARTERED ACCOUNTANTS

MAZARS

17 July 2020
Sinotop Holdings Berhad
Page 2

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants* and the *International Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors of the Company, on the basis set out in note 1 in the Appendix A.

We conducted our engagement with reference to the requirements of International Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled, in all material respects, the pro forma financial information on the basis set out in note 1 in the Appendix A.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction, when it occurs, would have been as presented.

MAZARS

17 July 2020
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A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in compilation of the pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to the applicable criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the entity, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis set out in note 1 in the Appendix A.

Other Matter

This report is made solely to the directors of the Company, as a body, in accordance with agreed terms of engagement. This report has prepared solely for information of the directors of the Company, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MAZARS PLT
LLP0010622-LCA
AF 001954
Chartered Accountants

APPENDIX A

SINOTOP HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Audited as at 30 June 2019 RM'000	Pro Forma I After TAS Shares Acquisition RM'000	Pro Forma II After Pro Forma I and the Proposed Capital Reduction RM'000	Pro Forma III After Pro Forma II and the Proposed Disposal RM'000
NON-CURRENT ASSETS					
Goodwill	2	-	1,748	1,748	1,748
Investments in associates	3	-	1,331	1,331	1,331
Other investments	4	-	36	36	36
		-	3,115	3,115	3,115
CURRENT ASSETS					
Trade receivables		2,637	2,637	2,637	2,637
Other receivables, deposits and prepayments	5	893	7,697	7,697	7,697
Contract assets		16,162	16,162	16,162	16,162
Amounts owing by related companies	6	-	2,262	2,262	2,262
Fixed deposits with licensed banks	7	2,100	100	100	100
Cash and bank balances	8	25	44	44	30,136
		21,817	28,902	28,902	58,994
ASSETS CLASSIFIED AS HELD FOR SALE	9	119,312	119,927	119,927	615
TOTAL ASSETS		141,129	151,944	151,944	62,724

APPENDIX A

SINOTOP HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Audited as at 30 June 2019 RM'000	Pro Forma I After TAS Shares Acquisition RM'000	Pro Forma II After Pro Forma I and the Proposed Capital Reduction RM'000	Pro Forma III After Pro Forma II and the Proposed Disposal RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	10	118,470	123,470	37,470	37,470
Reserves					
- Statutory reserve	11	15,697	15,697	15,697	-
- (Accumulated losses)/Retained earnings	11	(68,371)	(68,546)	17,454	(2,136)
		(52,674)	(52,849)	33,151	(2,136)
Equity attributable to owners of the Company		65,796	70,621	70,621	35,334
Non-controlling interests	12	-	5,046	5,046	5,046
		65,796	75,667	75,667	40,380
RESERVES CLASSIFIED AS HELD FOR SALE	9	40,338	40,338	40,338	-
TOTAL EQUITY		106,134	116,005	116,005	40,380

APPENDIX A

SINOTOP HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Audited as at 30 June 2019 RM'000	Pro Forma I After TAS Shares Acquisition RM'000	Pro Forma II After Pro Forma I and the Proposed Capital Reduction RM'000	Pro Forma III After Pro Forma II and the Proposed Disposal RM'000
CURRENT LIABILITES					
Trade payables		18,647	18,647	18,647	18,647
Other payables and accruals	13	5,856	6,046	6,046	2,871
Bank borrowings	14	-	220	220	220
Current tax liability		72	139	139	139
		24,575	25,052	25,052	21,877
LIABILITIES CLASSIFIED AS HELD FOR SALE	9	10,420	10,887	10,887	467
TOTAL LIABILITIES		34,995	35,939	35,939	22,344
TOTAL EQUITY AND LIABILITIES		141,129	151,944	151,944	62,724
NUMBER OF SHARES ('000)		394,899	433,361	433,361	433,361
NET ASSETS PER SHARE (RM)		0.269	0.268	0.268	0.093

SINOTOP HOLDINGS BERHAD **APPENDIX A**
NOTES TO THE PRO FORMA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

1. Basis of Preparation

(i) The Pro Forma Consolidated Statement of Financial Position of Sinotop Holdings Berhad ("Sinotop") has been prepared based on:

(a) the audited consolidated statement of financial position of Sinotop as at 30 June 2019*; and

(b) the audited consolidated statement of financial position of Television Airtime Services Sdn Bhd ("TAS") as at 31 December 2018*.

* *being the latest available audited consolidated statement of financial position of Sinotop and TAS, respectively.*

(ii) The Pro Forma Consolidated Statement of Financial Position of Sinotop has been prepared in accordance with relevant requirements of Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the audited consolidated financial statements and accounting policies of Sinotop for the financial year ended 30 June 2019.

(iii) The Pro Forma Consolidated Statement of Financial Position of Sinotop has been prepared solely for illustrative purposes, to show the effects of the following:

(a) Acquisition by Sinotop of 5,865,000 ordinary shares in TAS ("TAS Sale Shares"), representing 51% of the equity interest in TAS from En. Sabri Bin Ab Rahman ("TAS Vendor") for a consideration of RM7 million to be satisfied via issuance of 38,461,538 new ordinary shares in Sinotop ("Consideration Share") at an issue price of RM0.13 per Consideration Share for a share consideration of RM5 million and cash consideration of RM2 million which had been completed on 22 May 2020 ("TAS Shares Acquisition");

(b) Proposed reduction of Sinotop's share capital by RM86 million pursuant to Section 117 of the Companies Act 2016 (the "Act") ("Proposed Capital Reduction"); and

(c) Proposed disposal of the entire equity interest in Sinotop's wholly-owned subsidiary, Be Top Group Limited ("Be Top"), for a consideration of RM70 million ("Proposed Disposal").

(iv) The Proposed Capital Reduction and Proposed Disposal are collectively referred to as the "Proposals".

(v) The Pro Forma Consolidated Statement of Financial Position of Sinotop, because of its nature, may not be reflective of the Sinotop's actual consolidated financial position. Furthermore, such information does not purport to predict the future consolidated financial position of Sinotop.

SINOTOP HOLDINGS BERHAD **APPENDIX A**
NOTES TO THE PRO FORMA
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1.1 Pro Forma I

The TAS Shares Acquisition entails the TAS Vendor agreeing to sell and Sinotop agreeing to purchase the TAS Sale Shares for a consideration of RM7 million arrived at on a willing buyer willing seller basis.

The consideration shall be paid and/or satisfied as follows:

(a) as to the sum of RM2 million to be paid for in cash; and

(b) as to the balance sum of RM5 million to be satisfied by issuance and allotment by Sinotop to the TAS Vendor and investors, of 38,461,538 Consideration Shares at an issue price of RM0.13 per Consideration Share.

The TAS Shares Acquisition was completed on 22 May 2020. Under the acquisition method, identifiable assets acquired and liabilities assumed are measured at their fair values at the date of acquisition. The excess of the purchase consideration over the fair values of the identifiable assets acquired and liabilities assumed is retained in the consolidated statement of financial position as goodwill (which is then subject to periodic impairment testing post-acquisition). Discount on acquisition is immediately credited to profit or loss. Transaction costs are charged to profit or loss.

Below is the calculation of goodwill arising from the acquisition method in relation to the TAS Shares Acquisition:

	RM'000
Net assets acquired	10,298
Non-controlling interests	(5,046)
Net assets (deemed fair value) acquired attributable to Sinotop	5,252
Goodwill	1,748
Purchase consideration (deemed fair value)	7,000

1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the Proposed Capital Reduction.

The Proposed Capital Reduction entails the reduction of Sinotop's share capital by RM86 million pursuant to Section 117 of the Act.

Upon allotment of the Consideration Shares pursuant to the TAS Shares Acquisition, the enlarged share capital of Sinotop is RM123.47 million comprising 433,360,812 ordinary shares. The Proposed Capital Reduction will reduce the enlarged share capital of Sinotop by RM86 million. The Proposed Capital Reduction will give rise to a credit of RM86 million which will be utilised to set off the accumulated losses of Sinotop. As at 30 June 2019, the accumulated losses of Sinotop amounted to RM87.90 million.

SINOTOP HOLDINGS BERHAD **APPENDIX A**
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the Proposed Disposal.

The Proposed Disposal involves the disposal by Sinotop to Gifted Investments Limited ("GIL") of the entire issued and paid-up share capital of Be Top for a consideration of RM70 million ("Disposal Consideration").

Pursuant to the conditional share sale agreement dated 2 May 2019 entered by Sinotop and GIL for the Proposed Disposal (as supplemented by a supplemental share sale agreement dated 18 June 2020) (collectively, the "Disposal SSA"), the Disposal Consideration is inclusive of the assumption of liabilities owing by Sinotop to (a) Be Top; and (b) Be Top's subsidiary, Top Textile (Suzhou) Co., Ltd. ("Top Textile"), by GIL ("Assumed Liabilities").

The Disposal Consideration is to be satisfied in the following manners:

		RM'000
(a)	Assumed Liabilities	
	- Be Top*	20,944
	- Top Textile*	15,540
	Total Assumed Liabilities	36,484
(b)	Cash payment	33,516
		70,000

**Amounts owing by Sinotop to Be Top and Top Textile as at 30 June 2018 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 Disposal SSA.*

The bidding bond of RM3 million ("Bidding Bond') which forms part of the cash payment for the Disposal Consideration has been paid by GIL to Sinotop and the balance of RM67 million ("Balance Consideration") shall be satisfied in the following manners in accordance with the Disposal SSA:

(a) Upon obtaining the shareholders' approval of the Company on the Proposed Disposal, a sum of RM12 million ("First Cash Payment") shall be paid by GIL to Sinotop within 30 days from the date of such approval or such other date the parties may mutually agree;

(b) A sum of RM18.516 million ("Second Cash Payment") shall be paid by 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; and

(c) Upon the satisfaction of the remaining conditions set out in the Disposal SSA, the Assumed Liabilities shall be transferred to GIL by Sinotop no later than 12 months from 18 June 2020 or such other date as may be mutually agreed between the parties in writing.

SINOTOP HOLDINGS BERHAD **APPENDIX A**
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

For the purpose of the Pro Forma Consolidated Statement of Financial Position of Sinotop, the Assumed Liabilities are based on the aggregated amount owing by Sinotop to Be Top and Top Textile as at 30 June 2019 of RM35.733 million. Accordingly, the Second Cash Payment is RM19.267 million.

Upon completion of the Proposed Disposal, Sinotop expects to incur an estimated loss on disposal of the entire equity interest in Be Top amounting to RM18.59 million, which is computed as follows:

	RM'000	RM'000
Disposal Consideration		70,000
Less: Assumed Liabilities		(35,733)
Disposal Consideration after deducting Assumed Liabilities		34,267
Less:		
(a) Assets classified as held for sale (note 9)	119,312	
(b) Liabilities classified as held for sale (note 9)	(10,420)	
Net assets		(108,892)
Loss on disposal before adjustments		(74,625)
Reserves classified as held for sale (note 9)		40,338
Statutory reserve (note 11)		15,697
Loss on disposal after adjustments (note 11)		(18,590)

2. GOODWILL

	RM'000
Balance as at 30 June 2019	-
TAS Shares Acquisition	1,748
Balance per Pro Forma I / II / III	1,748

3. INVESTMENTS IN ASSOCIATES

	RM'000
Balance as at 30 June 2019	-
TAS Shares Acquisition	1,331
Balance per Pro Forma I / II / III	1,331

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SINOTOP HOLDINGS BERHAD
NOTES TO THE PRO FORMA
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AS AT 30 JUNE 2019

4. OTHER INVESTMENTS

	RM'000
Balance as at 30 June 2019	-
TAS Shares Acquisition	36
Balance per Pro Forma I / II / III	36

5. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	RM'000
Balance as at 30 June 2019	893
TAS Shares Acquisition	6,804
Balance per Pro Forma I / II / III	7,697

6. AMOUNTS OWING BY RELATED COMPANIES

	RM'000
Balance as at 30 June 2019	-
TAS Shares Acquisition	2,262
Balance per Pro Forma I / II / III	2,262

7. FIXED DEPOSITS WITH LICENSED BANKS

	RM'000
Balance as at 30 June 2019	2,100
TAS Shares Acquisition	(2,000)
Balance per Pro Forma I / II / III	100

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SINOTOP HOLDINGS BERHAD
NOTES TO THE PRO FORMA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

8. CASH AND BANK BALANCES

	RM'000
Balance as at 30 June 2019	25
TAS Shares Acquisition	19
Balance per Pro Forma I / II	44
Cash proceeds from the Proposed Disposal	31,267
Estimated expenses in relation to TAS Shares Acquisition, the Proposals and the proposed diversification and waiver application	(1,175)
	30,092
Balance per Pro Forma III	30,136

9. ASSETS / RESERVES / LIABILITIES CLASSIFIED AS HELD FOR SALE

Assets

	RM'000
Balance as at 30 June 2019	119,312
TAS Shares Acquisition	615
Balance per Pro Forma I / II	119,927
Proposed Disposal	(119,312)
Balance per Pro Forma III	615

Reserves

	RM'000
Balance as at 30 June 2019 / Balance per Pro Forma I / II	40,338
Proposed Disposal	(40,338)
Balance per Pro Forma III	-

SINOTOP HOLDINGS BERHAD
NOTES TO THE PRO FORMA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Liabilities

	RM'000
Balance as at 30 June 2019	10,420
TAS Shares Acquisition	467
Balance per Pro Forma I / II	10,887
Proposed Disposal	(10,420)
Balance per Pro Forma III	467

10. SHARE CAPITAL

	Number of Ordinary Shares '000	RM'000
Balance as at 30 June 2019	394,899	118,470
TAS Shares Acquisition	38,462	5,000
Balance per Pro Forma I	433,361	123,470
Proposed Capital Reduction	-	(86,000)
Balance per Pro Forma II / III	433,361	37,470

11. RESERVES

Statutory Reserve

	RM'000
Balance as at 30 June 2019 / Balance per Pro Forma I / II	15,697
Proposed Disposal	(15,697)
Balance per Pro Forma III	-

SINOTOP HOLDINGS BERHAD **APPENDIX A**
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

(Accumulated Losses)/Retained Earnings

	RM'000
Balance as at 30 June 2019	(68,371)
Estimated expenses in relation to TAS Shares Acquisition	(175)
Balance per Pro Forma I	(68,546)
Proposed Capital Reduction	86,000
Balance per Pro Forma II	17,454
Loss on disposal (note 1.3)	(18,590)
Estimated expenses in relation to the Proposals and the proposed diversification and waiver application	(1,000)
Balance per Pro Forma III	(2,136)

12. NON-CONTROLLING INTERESTS

	RM'000
Balance as at 30 June 2019	-
TAS Shares Acquisition	5,046
Balance per Pro Forma I / II / III	5,046

13. OTHER PAYABLES AND ACCRUALS

	RM'000
Balance as at 30 June 2019	5,856
TAS Shares Acquisition	15
Estimated expenses in relation to TAS Shares Acquisition	175
Balance per Pro Forma I / II	6,046
Estimated expenses in relation to TAS Shares Acquisition	(175)
Proposed Disposal	(3,000)
Balance per Pro Forma III	2,871

14. BANK BORROWINGS

	RM'000
Balance as at 30 June 2019	-
TAS Shares Acquisition	220
Balance per Pro Forma I / II / III	220

APPENDIX A

SINOTOP HOLDINGS BERHAD
NOTES TO THE PRO FORMA
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AS AT 30 JUNE 2019

APPROVED BY THE BOARD OF DIRECTORS

Approved by the board of directors in accordance with a resolution dated 17 JUL 2020

DATUK NG BEE KEN
Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

2.1 IPS

IPS, being the Principal Adviser for the Proposals has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

IPS declares that it is not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation in relation to its role as Principal Adviser for the Proposals.

2.2 Astramina

Astramina, being the Financial Adviser for the Proposals has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Astramina declares that it is not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation in relation to its role as the Financial Adviser for the Proposals.

2.3 Independent Adviser

AER, being the Independent Adviser for the Proposed Disposal has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL in relation to the Proposed Disposal and all references thereto in the form and context in which it appears in this Circular.

AER declares that it is not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation in relation to its role as the Independent Adviser for the Proposed Disposal.

2.4 Reporting Accountants

Mazars, being the Reporting Accountant for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, report relating to the pro forma consolidated statements of financial position of Sinotop, Reporting Accountants' report and all references thereto in the form and context in which it appears in this Circular in relation to the Proposals.

Mazars declares that it is not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation in relation to its role as the Reporting Accountant for the Proposals.

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3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, neither Sinotop nor any of its subsidiary companies are engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on the financial position of Sinotop Group and the Board has no knowledge of any proceedings, pending or threatened, against the Group or of any fact which is likely to give rise to any proceeding which may materially and adversely affect the business or financial position of the Group.

4. MATERIAL COMMITMENTS

As at the LPD, save as disclosed below, the Board is unaware of any material commitments incurred or known to be incurred by Sinotop Group which upon becoming enforceable, may have a material impact on the financial results/position of Sinotop Group:

	RM'000
Balance cash payment in relation to TAS Shares Acquisition	1,000

5. MATERIAL CONTRACTS

As at the LPD, save as disclosed below, the Sinotop Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the two (2) years immediately preceding the date of this Circular:

(a) Supplemental Disposal SSA;

(b) Disposal SSA;

(c) Conditional share sale agreement ("**SSA**") entered into between Sinotop and Dato' Justin Soo Sze Ching ("**DJ**") dated 23 April 2019 in relation to the proposed acquisition of the entire equity interest in Asianmax Corporation Sdn. Bhd. by Sinotop. On 30 September 2019, Sinotop and DJ have mutually agreed to review, reevaluate and re-negotiate the terms and conditions upon which the proposed acquisition is proposed to be implemented. Accordingly, Sinotop and DJ have agreed to mutually terminate the SSA with effect from 30 September 2019;

(d) Heads of agreement entered into between Sinotop and TAS Vendor dated 6 March 2020 to set out the key terms agreed in principle between both parties in relation to the proposed investment in TAS;

(e) TAS SSA which was supplemented by a supplemental agreement dated 5 May 2020, supplemental letters dated 6 May 2020, 18 May 2020 and 16 July 2020, respectively to vary certain terms and conditions of TAS SSA; and

(f) Shareholders' Agreement entered into between TAS Vendor, Sinotop and TAS dated 8 May 2020 in relation to TAS.

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6. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/position of Sinotop Group:

Contingent Liabilities

Unsecured:	**RM'000**
Corporate guarantee granted to licensed financial institution for credit facilities granted to subsidiary	8,000

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are 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 during normal business hours (except public holidays) from the date of this Circular up to the time set for holding the EGM or at any adjournment thereof:

(i) the Constitutions of Sinotop and Be Top;

(ii) the audited consolidated financial statements of Sinotop for the 18 months FPE 30 June 2018, FYE 30 June 2019 and the unaudited quarterly results of Sinotop for the nine (9)-month FPE 31 March 2020.

(iii) the letters of consent and declarations of conflict of interest referred to in Section 2 above;

(iv) the material contracts referred to in Section 5 above;

(v) the pro forma consolidated statement of financial position of Sinotop for the FYE 30 June 2019 together with the notes and Reporting Accountants' report thereon as set out in Appendix IV of this Circular; and

(vi) CCM's notifications in relation to the approval of the use of the proposed name "Pertama Digital Berhad".

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SINOTOP HOLDINGS BERHAD
(Registration No. 198401002327 (114842-H))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Sinotop Holdings Berhad ("**Sinotop**" or "**Company**") will be held at Concorde 1, Lobby Level, Concorde Hotel, 2, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Friday, 21 August 2020 at 10.00 a.m., for the purpose of considering and, if thought fit, passing the following resolutions, with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED DISPOSAL BY SINOTOP OF THE ENTIRE EQUITY INTEREST IN ITS WHOLLY-OWNED SUBSIDIARY, BE TOP GROUP LIMITED, FOR A CASH CONSIDERATION OF RM70.00 MILLION

"**THAT** subject to the approvals of all relevant authorities and/or parties being obtained (where required), the Board of Directors of the Company ("**Board**") be and is hereby authorised to dispose of the Company's entire equity interest in Be Top Group Limited to Gifted Investments Limited ("**GIL**") for a disposal consideration of RM70.00 million to be satisfied in accordance with the terms and conditions of the conditional share sale agreement dated 2 May 2019 entered into between the Company and GIL which was supplemented by a supplemental share sale agreement dated 18 June 2020 ("**Proposed Disposal**").

THAT the proceeds of the Proposed Disposal are to be utilised for the purposes as set out in Section 2.1.4 of Part A of the circular to shareholders of the Company dated 30 July 2020.

AND THAT the Board be and is hereby authorised to do all acts, deeds, things and execute all necessary documents as the Board may consider necessary and expedient, and to take all such necessary steps to give effect to the Proposed Disposal with full powers to consent to and to adopt such conditions, variations, modifications, and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Disposal or as the Board may deem necessary or expedient, and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Disposal in the best interests of the Company."

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE EXISTING CORE BUSINESS OF SINOTOP AND ITS SUBSIDIARIES TO INCLUDE MOBILE AND DIGITAL SOLUTIONS BUSINESSES

"**THAT** subject to the approvals of all relevant regulatory authorities and/or parties being obtained (where required), approval be and is hereby given for the diversification of the existing core business of the Company and its subsidiaries to include mobile and digital solutions businesses ("**Proposed Diversification**");

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds, things and execute all necessary documents as the Board may consider necessary and expedient, and to take all such necessary steps to give effect to the Proposed Diversification with full powers to consent to and to adopt such conditions, variations, modifications, and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Diversification or as the Board may deem necessary or expedient, and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Diversification in the best interests of the Company."

SPECIAL RESOLUTION 1

PROPOSED REDUCTION OF SINOTOP'S SHARE CAPITAL PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016

"**THAT** subject to the approvals of all relevant authorities and/or parties being obtained (where required), approval be and is hereby given for the implementation of the reduction of the Company's share capital pursuant to Section 117 of the Companies Act 2016 ("**Proposed Capital Reduction**").

THAT the share capital of the Company be and is hereby reduced and cancelled to the extent of and up to RM86.00 million and that such reduction be effected and satisfied by the cancellation of the share capital of the Company that has been lost or is unrepresented by available assets.

AND THAT the Board of Directors of the Company ("**Board**") be and is hereby authorised to do all acts, deeds, things and execute all necessary documents as the Board may consider necessary and expedient, and to take all such necessary steps to give effect to the Proposed Capital Reduction with full powers to consent to and to adopt such conditions, variations, modifications, and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Capital Reduction or as the Board may deem necessary or expedient, and to deal with all matters relating thereto and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise and give full effect to the Proposed Capital Reduction in the best interests of the Company."

SPECIAL RESOLUTION 2

PROPOSED CHANGE OF NAME OF SINOTOP FROM "SINOTOP HOLDINGS BERHAD" TO "PERTAMA DIGITAL BERHAD"

"**THAT** the name of the Company be and is hereby changed from "Sinotop Holdings Berhad" to "Pertama Digital Berhad" with effect from the date of the Notice of Registration of New Name issued by the Companies Commission of Malaysia and that the name of the Company wherever it appears in the Constitution be and is hereby amended accordingly.

AND THAT the Board of Directors of the Company be and is hereby authorised to carry out all the necessary formalities in effecting the change of name."

BY ORDER OF THE BOARD

KANG SHEW MENG
SEOW FEI SAN
Company Secretaries

Petaling Jaya
30 July 2020

Notes:

1. *Ordinary Resolution 1 (Proposed Disposal) requires the approval of at least 75% in value of the members of the Company present and voting either in person or by proxy pursuant to paragraph 10.11A (Major Disposal of Assets Resulting in Listed Issuers No Longer Suitable for Listing) of Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.*
2. *Only depositors whose names appear in the Record of Depositors as at 14 August 2020 shall be regarded as members and be entitled to attend, participate, speak and vote at the EGM.*
3. *A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. A proxy may but need not be a member of the Company.*
4. *A member may appoint up to two (2) proxies to attend the EGM. Where a member appoints two (2) proxies, he/she shall specifies the propositions of his/her holdings to be represented by each proxy.*
5. *Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

6. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
7. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised or in some other manner approved by its directors.*
8. *The instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or certified copy must be deposited at the Company's registered office at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for the EGM or at any adjournment thereof.*

SINOTOP 顶峰控股

SINOTOP HOLDINGS BERHAD
(Registration No. 198401002327 (114842-H))
(Incorporated in Malaysia)

FORM OF PROXY

CDS ACCOUNT NUMBER	NO. OF SHARES HELD

I/We...
(BLOCK LETTERS) NRIC No./Registration No...of.......................
.... being a Member(s) of SINOTOP HOLDINGS BERHAD (Registration No. 198401002327 (114842-H)) (**"Company"**) hereby appoint the following person(s):

	Name & NRIC No. of Proxy		No. of shares to be represented by proxy
1.			
2.			
Or failing him/her,			
1.			
2.			

Or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting (**"EGM"**) of the Company to be held at Concorde 1, Lobby Level, Concorde Hotel, 2, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur on Friday, 21 August 2020 at 10.00 a.m., and at any adjournment thereof and to vote as indicated below:

RESOLUTIONS	*FOR	*AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
SPECIAL RESOLUTION 1		
SPECIAL RESOLUTION 2		

*Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of any specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this ....day of... 2020

....
Signature / Seal of member

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries

SINOTOP HOLDINGS BERHAD
802, 8th Floor, Block C, Kelana Square,
17 Jalan SS7/26, 47301 Petaling Jaya,
Selangor Darul Ehsan

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