

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 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.

This Circular has been reviewed and approved by TA Securities Holdings Berhad as the Adviser to Sersol Berhad for the Proposed Private Placement II (as defined herein).



SERSOL BERHAD

[Registration No. 200201034397 (602062-X)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED PRIVATE PLACEMENT OF UP TO 65,398,000 NEW ORDINARY SHARES OF SERSOL BERHAD (“SHARES”), REPRESENTING UP TO 20% OF THE NUMBER OF ISSUED SHARES (EXCLUDING ANY TREASURY SHARES)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser and Placement Agent

 **TA SECURITIES**

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD (14948-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting (“EGM”) of Sersol Berhad will be conducted virtually with the main venue at Boardroom, 1-40-2, Menara Bangkok Bank, Berjaya Central Bank, No. 105 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Thursday, 29 July 2021 at 4.00 p.m., or at any adjournment thereof, or immediately following the conclusion or adjournment of the Eighteenth Annual General Meeting of Sersol Berhad scheduled to be held on the same day at 3.00 p.m., whichever is earlier.

The Notice of EGM together with the Proxy Form and Administrative Guide for the EGM are available at the Company’s website at <http://www.sersol.com.my> and Bursa Malaysia Berhad’s website at <https://www.bursamalaysia.com>.

You are entitled to attend and vote at our virtual EGM or to appoint a proxy or proxies (where applicable) to attend and vote on your behalf. In such event, the completed Proxy Form shall be deposited with the Poll Administrator, Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia or via email to AGM-Support.Sersol@megacorp.com.my not less than forty eight (48) hours before the time set for holding the EGM or any adjournment thereof. The Proxy Form once deposited will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Date and time of the EGM	:	Thursday, 29 July 2021 at 4.00 p.m. or immediately following the conclusion or adjournment of the Eighteenth Annual General Meeting of Sersol Berhad scheduled to be held on the same day at 3.00 p.m., whichever is earlier
Last date and time for lodging the Proxy Form	:	Tuesday, 27 July 2021 at 4.00 p.m.

This Circular is dated 30 June 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

“5D-VWAP”	: 5-day volume weighted average market price
“Announcement”	: The announcement of the Proposals dated 20 May 2021
“Board”	: Board of Directors of our Company
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“Circular”	: This circular to shareholders dated 30 June 2021 in relation to the Proposed Private Placement II
“Director”	: A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“EGM”	: Extraordinary general meeting of our Company
“EPS”	: Earnings per Share
“E&E”	: Electronic and electrical
“FYE”	: Financial year ended/ending
“Group”	: Sersol and our subsidiaries, collectively
“Interested Person”	: A Director, major shareholder or chief executive of our Company or of its holding Company
“LAT”	: Loss after taxation
“Listing Requirements”	: ACE Market Listing Requirements of Bursa Securities
“LPD”	: 8 June 2021, being the latest practicable date prior to the printing of this Circular
“NA”	: Net assets attributable to ordinary equity holders of our Company
“Outstanding SIS Options”	: 15,490,000 SIS Options granted which are currently outstanding as at the LPD and are exercisable into 15,490,000 new Sersol Shares at an exercise price of RM0.29
“Outstanding Warrants 2013/2023”	: 96,151,000 outstanding 10-year warrants with an exercise price of RM0.18 each as constituted by a deed poll dated 23 February 2013 and expiring on 18 April 2023
“PAT”	: Profit after taxation
“Placement Shares”	: The new Shares to be issued pursuant to the Proposals
“Proposals”	: Proposed Private Placement I and Proposed Private Placement II, collectively
“Proposed Private Placement I”	: Proposed private placement of up to 20% of the total number of issued Shares (excluding any treasury shares) under the general mandate pursuant to Section 76 of the Companies Act 2016 which was obtained from our Company’s shareholders on 27 July 2020 and shall continue to be in force until the conclusion of our next annual general meeting, as announced on 20 May 2021 and approved by Bursa Securities on 24 June 2021. The Proposed Private Placement I has yet to be implemented as at the date of this Circular

DEFINITIONS (CONT'D)

“Proposed Private Placement II”	:	Proposed private placement of up to 20% of the total number of issued Shares (excluding any treasury shares)
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“R&D”	:	Research and development
“Sersol” or the “Company”	:	Sersol Berhad
“Sersol Shares” or “Shares”	:	Ordinary shares in our Company
“SIS”	:	The share issuance scheme of our Company
“TA Securities”	:	TA Securities Holdings Berhad
“Third Party Investors”	:	Independent third-party investor(s) to be identified later pursuant to the Proposed Private Placement II

All references to “our Company” in this Circular are to Sersol, references to “our Group” are to our Company and our subsidiaries. All references to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, our Group. All references to “you” in this Circular are references to the shareholders of our Company.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Certain figures in this Circular have been subject to rounding adjustments.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY SERVES TO HIGHLIGHT SALIENT INFORMATION ON THE PROPOSED PRIVATE PLACEMENT II. PLEASE READ THIS CIRCULAR AND ITS APPENDIX CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS BEFORE VOTING.

Our Board recommends that shareholders of our Company to vote **IN FAVOUR** of the resolution in relation to the Proposed Private Placement II to be tabled at the forthcoming EGM.

Proposed Private Placement II	<p>Our Company is proposing to issue up to 65,398,000 Placement Shares, representing up to 20% of the enlarged number of issued shares of 326,990,000 Shares.</p> <p>Please refer to Section 2 of this Circular for further details.</p>												
Placement arrangement	<p>Our Company intends to place up to 65,398,000 Placement Shares pursuant to the Proposed Private Placement II, to Third Party Investors, other than the following:</p> <ul style="list-style-type: none"> (i) Interested Person; (ii) a person connected with an Interested Person; and (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed. <p>Please refer to Section 2.2 of this Circular for further details.</p>												
Basis and justification of determining the issue price	<p>Our Board will determine and announce the price fixing date at a future date, after Bursa Securities and shareholders have approved the Proposed Private Placement II. The Placement Shares will be priced at a discount of not more than 20% to the 5D-VWAP of the Shares immediately before the price fixing date, after taking into consideration, among others, the following:</p> <ul style="list-style-type: none"> (i) the additional funding requirements of our Group as set out in Section 2.5 of this Circular; and (ii) the rationale for the Proposed Private Placement II as set out in Section 3 of this Circular. <p>For illustrative purpose, based on an indicative issue price of RM0.24, which represents a discount of RM0.0574 or approximately 19.30% to the 5D-VWAP of our Shares up to and including the LPD of RM0.2974, the Proposed Private Placement II is expected to raise gross proceeds of up to RM10,336,752 under the Minimum Scenario and up to RM15,695,520 under the Maximum Scenario.</p> <p>Please refer to Section 2.3 of this Circular for further details.</p>												
Rationale	<p>Our Group has not undertaken any equity fund raising exercise since 2016.</p> <p>After due consideration of the various methods of fund raising, our Board is of the opinion that the Proposed Private Placement II is the most appropriate avenue to raise additional funds expeditiously to meet the purposes as stated in Section 2.5 of this Circular.</p> <p>Please refer to Section 3 of this Circular for further details.</p>												
Use of proceeds	<p>Our Company expects to raise the following proceeds from the Proposals:</p> <table border="1" data-bbox="395 1798 1396 1989"> <thead> <tr> <th></th> <th>Minimum Scenario (RM'000)</th> <th>Maximum Scenario (RM'000)</th> </tr> </thead> <tbody> <tr> <td>Proposed Private Placement I (at indicative RM0.27 each)</td> <td>11,629</td> <td>17,657</td> </tr> <tr> <td>Proposed Private Placement II (at indicative RM0.24 each)</td> <td>10,337</td> <td>15,696</td> </tr> <tr> <td>Total gross proceeds</td> <td>21,966</td> <td>33,353</td> </tr> </tbody> </table>		Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Proposed Private Placement I (at indicative RM0.27 each)	11,629	17,657	Proposed Private Placement II (at indicative RM0.24 each)	10,337	15,696	Total gross proceeds	21,966	33,353
	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)											
Proposed Private Placement I (at indicative RM0.27 each)	11,629	17,657											
Proposed Private Placement II (at indicative RM0.24 each)	10,337	15,696											
Total gross proceeds	21,966	33,353											

EXECUTIVE SUMMARY (CONT'D)

The proceeds are intended to be used by our Group as follows:

Purposes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for use of proceeds (from the listing date of the Placement Shares)
Purchase of machineries and equipment	850	850	Within 36 months
Payment to trade creditors	3,000	3,000	Within 36 months
Investment in R&D activities	1,000	1,000	Within 36 months
Working capital	16,836	28,223	Within 36 months
Expenses for the Proposals	280	280	Immediately
Total proceeds	21,966	33,353	

Please refer to **Section 2.5** of this Circular for further details.

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TABLE OF CONTENTS

	PAGE
LETTER TO OUR SHAREHOLDERS CONTAINING:	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT II.....	2
3. RATIONALE OF THE PROPOSED PRIVATE PLACEMENT II	6
4. HISTORICAL FINANCIAL INFORMATION OF OUR GROUP	7
5. INDUSTRY OUTLOOK AND PROSPECTS OF OUR COMPANY	10
6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT II	16
7. HISTORICAL SHARE PRICES	20
8. APPROVALS REQUIRED	20
9. CONDITIONALITY OF THE PROPOSED PRIVATE PLACEMENT II	20
10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	21
11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM.....	21
12. DIRECTORS' STATEMENT AND RECOMMENDATION	21
13. ESTIMATED TIME FRAME FOR COMPLETION	21
14. EGM	21
15. FURTHER INFORMATION	21
 APPENDIX	
I ADDITIONAL INFORMATION	22
NOTICE OF EGM	ENCLOSED
PROXY FORM	ENCLOSED



SERSOL BERHAD
[Registration No. 200201034397 (602062-X)]
(Incorporated in Malaysia)

Registered Office:

E-10-4, Megan Avenue 1
189, Jalan Tun Razak
50400 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia

30 June 2021

Board of Directors

Toh Hong Chye (*Executive Chairman*)
Tan Fie Jen (*Acting Managing Director*)
Datuk Low Kim Leng (*Independent Non-Executive Director*)
Dato' Yen Soon Ai (*Independent Non-Executive Director*)
Yeong Siew Lee (*Independent Non-Executive Director*)

To: Our Shareholders

Dear Sir/Madam,

PROPOSED PRIVATE PLACEMENT II

1. INTRODUCTION

On 20 May 2021, TA Securities announced on behalf of our Board that our Company proposes to undertake the following proposals, at an issue price to be determined and fixed at a future date:

(i) Proposed Private Placement I

A private placement of up to 20% of the total number of issued Shares (excluding any treasury shares), under the general mandate pursuant to Section 76 of the Companies Act 2016 which was obtained from our Company's shareholders on 27 July 2020 and shall continue to be in force until the conclusion of our next annual general meeting.

(ii) Proposed Private Placement II

Proposed private placement of up to 20% of the total number of issued Shares (excluding any treasury shares).

Bursa Securities had vide its letter dated 24 June 2021, approved the listing of and quotation for the following:

- (i) up to 65,398,000 Placement Shares to be issued pursuant to the Proposed Private Placement I; and
- (ii) up to 65,398,000 Placement Shares to be issued pursuant to the Proposed Private Placement II

on the ACE Market of Bursa Securities, subject to conditions as stated in **Section 8** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSED PRIVATE PLACEMENT II, TO SET OUT OUR BOARD'S RECOMMENDATION ON THE PROPOSED PRIVATE PLACEMENT II AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT II TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT II TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT II

2.1 Size of placement

As at the LPD, our Company does not have any treasury shares and has the following securities:

- (i) the issued share capital of our Group is RM12,786,137 comprising 215,349,000 Shares;
- (ii) 96,151,000 Outstanding Warrants 2013/2023 as constituted by a deed poll dated 23 February 2013 and expiring on 18 April 2023; and
- (iii) 15,490,000 Outstanding SIS Options granted on 24 July 2014. The SIS was established on 23 February 2013 and is effective for 5 years. On 30 April 2018, our Board resolved to extend the duration of the SIS from 5 years to the maximum allowable period of 10 years ending 13 May 2023.

In this regard, the Proposed Private Placement II will be based on the following scenarios:

	Minimum Scenario	Maximum Scenario
Scenarios	Assuming that the following are not exercised into new Shares before the implementation of the Proposals: (i) Outstanding Warrants 2013/2023; and (ii) Outstanding SIS Options.	Assuming that the following are exercised into new Shares before the implementation of the Proposals: (i) Outstanding Warrants 2013/2023; and (ii) Outstanding SIS Options.
Proposed Private Placement II	Up to 43,069,800 Placement Shares	Up to 65,398,000 Placement Shares

2.2 Placement arrangement

Our Company intends to place up to 65,398,000 Placement Shares pursuant to the Proposed Private Placement II to Third Party Investors, other than the following:

- (i) Interested Person;
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Third Party Investors shall be persons who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

Subject to market conditions and the timing of identification of placees, the Proposed Private Placement II may be implemented in 1 or more tranches within 6 months from the date of approval from Bursa Securities for the Proposed Private Placement II or any extended period as may be approved by Bursa Securities. The implementation of the placement arrangement in multiple tranches would provide flexibility to our Company to procure interested investors to subscribe for the Placement Shares within the approved period.

If issued in multiple tranches, the issue price for each tranche of the Placement Shares may be determined separately, in accordance with market-based principles.

Our Company will make the necessary price-fixing announcement(s) once our Board has fixed the issue price of the Placement Shares which may be issued in tranches, in which there will be a price-fixing announcement for each tranche of Placement Shares. In any event, our Company will ensure payment for the Placement Shares by the placee(s) is received within 5 market days from the price-fixing date of each tranche of the Proposed Private Placement II.

2.3 Basis and justification of determining the issue price

Our Board will determine and announce the issue price of the Placement Shares at a future date (“**Price Fixing Date**”), after Bursa Securities and shareholders have approved the Proposed Private Placement II. The Placement Shares will be priced at a discount of not more than 20% to the 5D-VWAP of the Shares immediately before the Price Fixing Date, after taking into consideration, among others, the following:

- (i) the additional funding requirements of our Group as set out in **Section 2.5** of this Circular; and
- (ii) the rationale for the Proposed Private Placement II as set out in **Section 3** of this Circular.

For illustrative purpose, based on an indicative issue price of RM0.24, which represents a discount of RM0.0574 or approximately 19.30% to the 5D-VWAP of our Shares up to and including the LPD of RM0.2974, the Proposed Private Placement II is expected to raise gross proceeds of up to RM10,336,752 under the Minimum Scenario and up to RM15,695,520 under the Maximum Scenario.

Our Board is of the opinion that the discount of up to 20% will be able to provide our Company more flexibility when fixing the issue price of the Placement Shares and will increase the attractiveness for more placees to subscribe for the Placement Shares from time to time with an aim to raise the required funds for our Group.

2.4 Ranking of the Placement Shares

Upon allotment and issuance, the Placement Shares shall rank equally in all respects with existing Shares, save and except that the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions, the entitlement date of which is prior to the dates of allotment and issuance of the Placement Shares.

2.5 Use of proceeds

Our Company expects to raise the following proceeds from the Proposals:

	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Proposed Private Placement I (at indicative RM0.27 each)	11,629	17,657
Proposed Private Placement II (at indicative RM0.24 each)	10,337	15,696
Total gross proceeds	21,966	33,353

The proceeds are intended to be used by our Group as follows:

Purposes	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for use of proceeds (from the listing date of the Placement Shares)
Purchase of machineries and equipment	(1)	850	850	Within 36 months
Payment to trade creditors	(2)	3,000	3,000	Within 36 months
Investment in R&D activities	(3)	1,000	1,000	Within 36 months
Working capital	(4)	16,836	28,223	Within 36 months
Expenses for the Proposals	(5)	280	280	Immediately
Total proceeds		21,966	33,353	

Notes:

- (1) *Currently, our Group's manufacturing operation is at maximum capacity with majority of the machineries at an average age of more than 10 years. As a result of the wear and tear of the machineries and equipment over the years, our Group intends to use up to RM0.85 million of the proceeds (under Minimum Scenario and Maximum Scenario) to improve the operating conditions and efficiency of the manufacturing facilities in Malaysia and Thailand (both facilities manufacture products such as coatings, thinners and industrial chemicals) through the purchase of new machineries and equipment.*

Additionally, the new machineries and equipment are to replace the existing machineries as majority of our machineries had already gone beyond its life cycle and more prone to malfunction which will incur additional cost to our Group for the upkeep and purchase of spare parts. The new machineries and equipment are expected to increase efficiency and manufacturing yield as well as reduce machine down-time. As at LPD, our Group has 64 units of machineries (i.e. 32 units for production and 32 units for quality assurance/quality control inspection) with an approximate production capacity of 100,000 kilogramme ("kg") per month for paint and lacquer as well as 30,000 kg per month for hardener. With the addition of new machineries and equipment, our Group expects the production capacity to increase to 140,000 kg per month for paint and lacquer and 60,000 kg per month for hardener. The breakdown of the new machineries and equipment are as follows:

	Estimated cost (RM'000)
Machineries and equipment (1 unit each)	
<i>100HP platform-type high speed coating mixer machine with 2 x 300L mixing tank for semi-product and colour matching during production</i>	249
<i>Semi auto volumetric filling machine and top/bottom tape sealing machine for hardening and packing of coating stage</i>	115
<i>Screen replacement for Superflow grinding machine for coatings pigment and colorant grinding stage</i>	97
<i>UV Curing System for UV plastic coatings application during production</i>	75
<i>Temperature and humidity chamber for quality assurance/ quality control inspection of coatings</i>	81
<i>Screen and control panel replacement for XY auto-spray system machine for spraying application during production</i>	31
<i>Spectrophotometer for measurement of material concentration during production</i>	58
<i>100HP Compressor for erosion-resistant application during production</i>	95
<i>Industrial forklift to transport materials and goods</i>	49
Total	850

The above costs are estimated based on quotations obtained from local vendors and/ or third-party suppliers and subject to changes based on the eventual specification of the machineries and requirements. Any shortfall in proceeds for the purchase of machineries and equipment will be funded via internally-generated funds, bank borrowings and/or will be adjusted against the proceeds allocated for the working capital of our Group.

- (2) Our Group intends to use up to RM3.00 million of the proceeds to pay existing and future trade creditors for the purchase of raw materials (e.g. resin and solvent). As at 31 December 2020, our Group's trade payables stood at RM2.95 million. Based on the audited financial statements of our Group for the FYE 31 December 2020, our Group's average trade payables turnover period is 65 days, computed based on the following formula:

$$\text{Trade payables turnover ratio} = \frac{\text{Cost of sales}}{(\text{starting trade payables} + \text{ending trade payables}) / 2}$$

$$\text{Average trade payables turnover period} = \frac{365 \text{ days}}{\text{Trade payable turnover period}}$$

As at LPD, our Group had approximately RM6.02 million in cash and bank balances. Our Group intends to repay our trade creditors through the proceeds from the Proposals in order to provide flexibility in our cashflow management which could be used for other purposes.

- (3) Currently, our Group's plastic and metal coatings are oil-based. With the on-going global shift to produce more environmentally friendly products, our Company has identified water-based coatings as another product offering to our Company's existing customers as well to capitalise on the future demand and growth of water-based coatings. Water-based coating is a term used to describe any surface coating or finishing that utilises water as a solvent to disperse the resin that is added to it to form the coating.

Water-based coatings are the rising adoption by the end-user industry of green and eco-friendly coatings as water-based coatings are non-flammable, odourless, have long shelf life and non-toxic which makes it both friendly to the environment and easy to apply. Furthermore, our Group has also received request from our Company's existing customers to offer water-based coatings. In regards to this, our Group intends to begin R&D activities to develop water-based coatings.

Our Group intends to use up to RM1.00 million for our investment in R&D activities to develop one-component water-based plastic coating, two-component water-based plastic coating as well as water-based ultra-violet plastic coating. Our Group expects to commence our R&D activities including the hiring of additional staff immediately after receiving the proceeds to fund our R&D activities. Our Group expects to take approximately 3 years to development these coatings and subsequently offer these coatings to new and existing customers (primarily in the E&E industry). As at the LPD, our Group's R&D team (consisting of 2 chemist) has yet to begin the said R&D activities and will commence upon receiving the pre-requisite funds from the Proposals.

Our Group intends to enhance our R&D activities with the following use of proceeds:

Description	Percentage allocation	
	Minimum Scenario (%)	Maximum Scenario (%)
<i>Staff costs (e.g. salaries and statutory contribution) in hiring senior chemist, junior chemist and lab assistant of which the breakdown of number of staffs cannot be determined at this juncture and will be dependent on the operating as well as funding requirements at the time of utilisation</i>	85.0	85.0
<i>Purchase of R&D materials (e.g. resins, additives and dispersing agents which the breakdown cannot be determined at this juncture and will depend on the R&D activities undertaken by our Group)</i>	15.0	15.0
Total	100.0	100.0

- (4) Our Group intends to use up to RM28.22 million of the proceeds as additional working capital for our day-to-day operations.

Description	Percentage allocation	
	Minimum Scenario (%)	Maximum Scenario (%)
<i>Purchase of raw materials (e.g. resin and solvent)</i>	60.0	60.0
<i>Administrative expenses (e.g. rental, offices and factories related expenses (e.g. upkeep of machineries and factory) as well as staff cost (e.g. salaries and statutory contribution))</i>	40.0	40.0
Total	100.0	100.0

- (5) Consisting of mainly professional fees, placement fees, fees payable to Bursa Securities and other ancillary expenses. Any surplus or shortfall to the amount allocated for the expenses for the Proposals, will be adjusted against the amount allocated for/from the working capital (as stated in Note 4 above) of our Group of which the exact breakdown is not determinable at this juncture.

The actual amount of proceeds to be raised will depend on the number of Placement Shares to be issued and their issue price(s). Any excess or shortfall of the actual gross proceeds raised will be adjusted against the amount allocated for the working capital (as stated in Note 4 above) of our Group of which the breakdown cannot be determined at this juncture.

After the proceeds have been raised and before usage, they will be placed in interest-bearing deposits with a financial institution or short-term money market instruments, as our Board may deem fit. Any interest income or capital gain arising therefrom will be used as our Group's general working capital.

3. RATIONALE OF THE PROPOSED PRIVATE PLACEMENT II

Our Group has not undertaken any equity fund raising exercise since 2016.

After due consideration of the various methods of fund raising, our Board is of the opinion that the Proposed Private Placement II is the most appropriate avenue to raise additional funds expeditiously to meet the purposes as stated in **Section 2.5** of this Circular, after considering the following:

- (i) the discount of up to 20% for the Proposed Private Placement II will provide our Company with more flexibility when fixing the issue price of the Placement Shares and will increase the attractiveness for placees to subscribe for the Placement Shares from time to time;

- (ii) the Proposed Private Placement II will not incur interest cost as compared to bank borrowings or the issuance of debt instruments, thereby reducing the potential cash outflow. This would allow our Group to preserve our existing cash and bank balances for our Group's other purposes;
- (iii) the Proposed Private Placement II do not require our Company to procure underwriting arrangement (which our Company will incur additional cost) and/or irrevocable undertaking from certain shareholders of our Company which is usually required for other fund raising exercise such as rights issue; and
- (iv) the Proposed Private Placement II is expected to strengthen our Company's capital base as well as improve our Company's financial position and future earnings when the economic and financial benefits from the use of proceeds are realised.

4. HISTORICAL FINANCIAL INFORMATION OF OUR GROUP

4.1 Financial commentaries

The summary of the financial information of our Group for the audited FYE 31 December 2017 to 31 December 2020 is as follows:

	(Audited)			
	FYE 31 December			
	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Revenue	18,066	18,016	17,871	20,338
Profit / (Loss) before tax	293	(729)	(640)	394
PAT / LAT	272	(767)	(658)	201
Share capital	28,786	28,786	12,786	12,786
Shareholders' funds / Net assets attributable to the owners of our Company	16,999	16,155	15,623	15,788
No. of Shares in issue ('000)	215,349	215,349	215,349	215,349
Weighted average number of Shares in issue ('000)	215,349	215,349	215,349	215,349
Net assets per Share (sen)	7.89	7.50	7.25	7.33
Basic profit / (loss) per Share (sen)*	0.13	(0.36)	(0.31)	0.09
Current assets	14,891	12,733	12,822	13,741
Current liabilities	4,385	3,098	3,783	3,905
Current ratio (times)	3.40	4.11	3.39	3.52
Borrowings	840	304	212	85
Gearing ratio	0.05	0.02	0.01	0.01

Note:

* Based on the weighted average number of Shares in issue.

Commentaries:

(i) FYE 31 December 2020 vs FYE 31 December 2019

Our Group recorded a higher revenue of RM20.34 million in the FYE 31 December 2020 (FYE 31 December 2019: RM17.87 million), representing an increase of RM2.47 million or 13.8%. The higher revenue was contributed by our Group's general trading in the others segment (such as trading of building materials) of RM6.21 million in the FYE 31 December 2020 (FYE 31 December 2019: RM3.57 million) attributable to the increased sales from our recurring local customer which was newly secured in 2019.

Our Group recorded a PAT of RM0.20 million in FYE 31 December 2020 (FYE 31 December 2019: LAT of RM0.66 million) mainly due to higher other income of RM1.00 million (FYE 31 December 2019: RM0.25 million) as a result of reversal of provision for doubtful debts of RM0.86 million (FYE 31 December 2019: RM Nil) as the amount has been fully collected in the FYE 31 December 2020.

(ii) FYE 31 December 2019 vs FYE 31 December 2018

Our Group recorded a lower revenue of RM17.87 million in FYE 31 December 2019 (FYE 31 December 2018: RM18.02 million), representing a decrease of RM0.15 million or 0.83%. The decrease in revenue was mainly due to lower revenue contribution from our Group's Thailand business segment of RM3.73 million in FYE 31 December 2019 (FYE 31 December 2018: RM5.31 million) attributable to the lower sales for coatings and manufacturing segment of RM15.9 million (FYE 31 December 2018: RM19.0 million) as a result of weak economic environment which affects the demand of the painting and coating market. However, our Group's lower revenue was partially off-set by the higher revenue contribution from our Group's Malaysia business segment of RM14.14 million in FYE 31 December 2019 (FYE 31 December 2018: RM12.70 million) as a result of revenue generated from the trading of building materials.

Our Group's LAT decreased by RM0.11 million (or 14.29%) to RM0.66 million in FYE 31 December 2019 (FYE 31 December 2018: LAT of RM0.77 million). The lower LAT recorded in FYE 31 December 2019 was mainly due to:

- (a) lower administrative expenses of RM3.13 million (FYE 31 December 2018: RM3.44 million) as a result of lower inventories written down of RM740 (FYE 31 December 2018: RM0.41 million); and
- (b) lower selling and distribution expenses of RM2.11 million (FYE 31 December 2018: RM2.63 million) due to absence of selling and distribution expenses from Sersol Marketing Sdn Bhd in FYE 31 December 2019 as Sersol Marketing Sdn Bhd had ceased its operations in mid FYE 31 December 2018.

(iii) FYE 31 December 2018 vs FYE 31 December 2017

Our Group recorded a lower revenue of RM18.02 million in FYE 31 December 2018 (FYE 31 December 2017: RM18.07 million), representing a decrease of RM0.05 million or 0.28%. The marginal decrease in revenue was mainly due to lower revenue contribution from our Group's Malaysia business segment of RM12.70 million in FYE 31 December 2018 (FYE 31 December 2017: RM13.26 million) attributable to the lower sales generated from the decorative coatings segment in the property market as a result of our Group's plan to scale down our decorative coatings segment. However, our Group's lower revenue was partially off-set by the higher revenue contribution from our Group's Thailand business segment of RM5.31 million in FYE 31 December 2018 (FYE 31 December 2017: RM4.81 million) as a result of higher orders from our existing customers.

Our Group recorded a LAT of RM0.77 million in FYE 31 December 2018 (FYE 31 December 2017: PAT of RM0.28 million). The LAT recorded in FYE 31 December 2018 was mainly due to:

- (a) lower gross profit of RM5.09 million (FYE 31 December 2017: RM5.86 million) as our Group generated lower revenue from niche coating products such as UV plastic coating, 2K plastic coating, 1K plastic coating and metal coating;
- (b) higher allowance for slow moving inventories of RM0.41 million (FYE 31 December 2017: RM Nil); and
- (c) impairment loss on trade receivables of RM0.38 million (FYE 31 December 2017: RM Nil). As at the LPD, the amount has been fully collected.

(iv) FYE 31 December 2017 vs FYE 31 December 2016

Our Group recorded a lower revenue of RM18.07 million in FYE 31 December 2017 (FYE 31 December 2016: RM20.43 million), representing a decrease of RM2.36 million or 11.55%. The decrease in revenue was mainly due to lower revenue contribution from our Group's Malaysia business segment of RM13.26 million in FYE 31 December 2017 (FYE 31 December 2016: RM16.08 million) attributable to the lower demand for decorative coatings from housing developers in view of the slowdown of the properties and construction market in Malaysia.

Our Group recorded a PAT of RM0.27 million for the FYE 31 December 2017 (FYE 31 December 2016: LAT of RM1.23 million). The PAT recorded in the FYE 31 December 2017 was mainly due to:

- (a) higher gross profit of RM5.86 million (FYE 31 December 2016: RM5.19 million) as our Group generated higher sales from niche coating products such as UV plastic coating, 2K plastic coating, 1K plastic coating and metal coating;
- (b) decrease in selling and distribution expenses to RM2.31 million for FYE 31 December 2017 (FYE 31 December 2016: RM3.22 million) due to the cost-cutting measures by our Group for our sales and marketing department through measures such as reorganisation of sales force as well as readjustments of sales commissions and business expenses; and
- (c) decrease in finance cost to RM0.05 million in the FYE 31 December 2017 (FYE 31 December 2016: RM0.19 million) mainly due to lower bank borrowings of RM0.52 million (FYE 31 December 2016: RM0.76 million).

4.2 Impact of the Proposed Private Placement II and value creation to our Group and our shareholders

The Proposed Private Placement II will enable our Group to raise funds to be used for the purposes as stated in **Section 2.5** of this Circular without incurring interest costs associated with bank borrowings or issuance of debt instruments. To minimise our Group's reliance on conventional bank borrowings, our Board is of the view that the equity fund raising is the most appropriate avenue for fund raising at this juncture.

Despite the dilutive effects on our Group's EPS and our Company's shareholders' shareholdings, the Proposed Private Placement II is expected to have a positive impact on our Group's earnings as our Group is expected to generate higher sales and profitability from future additional orders contributed by the higher manufacturing capacity and yield arising from the acquisition of new machineries and equipment (funded by the Proposals). Consequently, when the benefits of the proceeds' usage are realised, it will then directly enhance our Company's shareholders' value as well as the financial performance of our Group.

Further, our Board is of the view that the Proposed Private Placement II represents an efficient avenue to raise the required quantum of funds over other larger scale equity fund raising exercises (i.e. rights issue) which may otherwise entail additional costs arising from underwriting arrangement to raise the desired level of funds.

4.3 Adequacy of the Proposed Private Placement II in addressing our Group's financial concerns

The Proposed Private Placement II will enable our Group to raise additional funds from Third Party Investor(s) expeditiously for the purposes as set out in **Section 2.5** of this Circular. As at the LPD, our Group has approximately RM6.02 million in cash and bank balances (inclusive of deposits with financial institution) which will be sufficient for a short term.

After taking into consideration the current financial position of our Group, our Board is of the view that the Proposed Private Placement II can support our Group's efforts in strengthening its financial performance and financial position as the proceeds will be used for the purposes as set out in **Section 2.5** of this Circular.

5. INDUSTRY OUTLOOK AND PROSPECTS OF OUR COMPANY

Our Group generates our revenue mainly from plastic and metal coatings for E&E industry which contributed approximately 69% to our Group's revenue in FYE 31 December 2020. As such, the outlook of the E&E industry is set out in the following section:

5.1 Overview and outlook of the Malaysian economy

Malaysia's gross domestic product ("GDP") contracted 3.4 per cent for the fourth quarter of 2020 as compared to a decline of 2.6 per cent in the preceding quarter. For overall year 2020, Malaysia's GDP contracted 5.6 per cent as compared to 4.3 per cent in 2019. The last seen of Malaysia's economic contracted was in 2009 (-1.5%) and this is the lowest contraction after 1998 (-7.4%).

(Source: Malaysia Economic Performance Fourth Quarter 2020, Department of Statistics Malaysia)

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for E&E products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order (MCO 2.0) and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. Governor Datuk Nor Shamsiah said "The better overall performance reflects the improvement in domestic demand and the strength in our exports." All economic sectors registered an improvement, particularly in the manufacturing sector.

Despite the recent re-imposition of containment measures, the impact on growth is expected to be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related sub-sectors, as well as oil and gas facilities will provide a further impetus to growth.

The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors. Datuk Nor Shamsiah cited "Going forward, Malaysia is well positioned to continue benefitting from stronger global economic and trade activities. While the growth outlook continues to be shaped by developments surrounding the pandemic, the implementation of containment measures which are mainly aimed at curbing social activities and allow almost all economic sectors to operate, would minimise the impact on economic activity."

(Source: Economic and Financial Developments in the Malaysian Economy in the 1st quarter of 2021, Bank Negara Malaysia)

Malaysia's economy is projected to grow by 4.5 percent in 2021 amid a dramatic resurgence of the COVID-19 virus beginning in mid-April 2021. This recent spike in infections is raising concerns about the overall capacity of Malaysia's health system and the effects of the ongoing cycle of opening and closing the economy on households and firms, according to the World Bank.

(Source: <https://www.worldbank.org/en/news/press-release/2021/06/23/emerging-economic-growth-trends-in-malaysia-threatened-by-resurging-pandemic-says-latest-world-bank-economic-monitor>)

5.2 Overview and outlook of the Thailand economy

Thailand's economy contracted by 6.1 percent in 2020 amid stringent measures to contain the COVID-19 pandemic and a sudden stop in tourism flows. The authorities responded decisively with a multi-pronged policy package to protect households, firms, and the financial system. The economic recovery in 2021 is expected to be sluggish with growth at 2.6 percent, and divergent across sectors.

(Source: <https://www.imf.org/en/News/Articles/2021/03/15/pr2167-thailand-imf-staff-completes-2021-article-iv-mission>)

The Thai economy was projected to expand 3.0 percent in 2021, which is lower than the previous assessment. The downward revision to the growth forecast was attributable to the new wave of COVID-19 infections at the beginning of the year and lower foreign tourist figures. Meanwhile, the less restrictive containment measures relative to last year, the additional government measures, and the recovery in merchandise exports in tandem with trading partner economies' growth were key factors supporting Thailand's economic growth.

Headline inflation was projected to be 1.2 percent in 2021 and 1.0 percent in 2022. The rise in headline inflation in 2021 would be mainly on account of supply-side factors, namely the increase in Dubai crude oil prices to an average of 60 U.S. dollars per barrel. Headline inflation would also spike temporarily in the second quarter of 2021 due to the low-base effect as Dubai crude oil prices were low at about 30 U.S. dollars per barrel in the same period last year. Core inflation projections were largely unchanged at 0.3 percent in 2021 and 0.4 percent in 2022. The Committee assessed that headline inflation would return to the target range around mid-2021 and would remain close to the lower bound of the target throughout the forecast period.

Private investment would recover at a gradual pace. Investment in machinery and equipment grew on the back of international trade and better-than-expected private consumption. Meanwhile, public-private partnership (PPP) investment projects, particularly in the Eastern Economic Corridor (EEC), were progressing with greater clarity.

The Thai economy would grow 4.7 percent in 2022, slightly lower than the previous assessment on account of lower government expenditure under the fiscal year 2022 annual budget. Nevertheless, the anticipated rebound in foreign tourist figures on the back of widespread vaccination in Thailand and abroad would support the return of Thailand's GDP to the pre-pandemic level in the second half of 2022.

(Source: *Monetary Policy Report March 2021, Bank of Thailand*)

5.3 Overview and outlook of ASEAN paintings and coatings market

The ASEAN paints and coatings market are expected to develop at a compound annual growth rate of over 5% during 2020-2025. A major factor driving the market studied is the accelerating growth of the construction industry. Moreover, the increasing demand for protective coatings in Malaysia is expected to bolster the market further.

(Source: <https://www.marketresearch.com/Mordor-Intelligence-LLP-v4018/ASEAN-Paints-Coatings-Growth-Trends-13692843>, published on August 2020)

High utilisation of coating in a wide range of applications such as architectural coatings, industrial coatings, liquid coatings, metal coatings, paint and coatings, paint resin manufacturing, and wood coatings, coupled with increasing investments by major players for construction of new manufacturing plants and expansion are other key factors expected to drive growth of coating market in the near future.

Increasing developments related to interior and exterior wall coatings to enable temperature control in buildings, and growing use of additives in mortar and cement to enhance strength of buildings and weather-proofing are some other key factors expected to drive market growth to a significant extent.

(Source: <https://cheshire.media/uncategorised/509987/global-coating-resins-market-executive-summary-on-trends-latest-developments-growth-drivers-risks-favourite-brands-and-regional-leaders-overview-includes-business-impact-of-covid-19/>, published on 4 December 2020)

Catered by about 80 large, mid-sized and small-scale paint and coatings producers, the Malaysian paint and coatings industry is one of the most advanced in terms of product offerings in the ASEAN region. COVID-19 has created huge disruption in supply chains and prices and will profoundly impact the demand of paint and coatings products, at least in 2020. Though there are about 80 large, mid-scale and small paint and coatings producers in the country, the large 15 producers account for nearly 85% of the paint and coatings industry by value.

(Source: https://www.coatingsworld.com/issues/2020-05-01/view_india_asia_pacific_reports/malaysian-paint-coatings-industry-overview/, published on May 2020)

5.4 Overview and outlook of Malaysian E&E industry

The manufacturing sector expanded by 3.0% (3Q 20: 3.3%), as robust E&E production more than offset lower activity in the consumer cluster. The strong performance in the E&E sub-sector was supported by sustained global demand for semiconductors components, which has led to a global shortage. This has resulted in a build-up of order backlogs among Malaysian producers which are highly integrated in the global value chain. The positive growth in E&E was partially offset by the weakness in consumer-cluster. In particular, the refining and manufacture of palm-oil related products was affected by disruptions in the agriculture sector amid labour shortages. Several consumer-clusters, such as food and beverages, tobacco, and textiles subsectors, were affected by weaker demand due to the re-imposition of Conditional Movement Control Order.

Manufactured exports continued to expand (7.6%; 3Q 2020: 6.8%), supported mainly by E&E exports (13.8%; 3Q 2020: 16.0%). This was driven by robust demand for semiconductors for work from home equipment and medical devices. Commodities exports contracted further (-7.8%; 3Q 2020: -7.2%) due to the sharp decline in crude oil export volume.

The goods surplus increased to RM42.9 billion (3Q 2020: RM41.5 billion), supported by strong exports of E&E, rubber gloves and Personal Protective Equipment (PPE). The services account recorded a larger deficit (-RM14.2 billion; 3Q 2020: -RM13.3 billion). This was due to higher payment for transportation services, as well as continued weakness in travel receipts as international travel restrictions remained.

(Source: Quarterly Bulletin for 4th quarter of 2020, Bank Negara Malaysia)

Deputy International Trade and Industry Minister Datuk Lim Ban Hong said E&E exports grew by 13.1% in January 2021 and the expansion continued in February 2021 with a 24.4% growth registered. He said demand for E&E is expected to remain higher, in view of strong growth projections of global product sales and revenue for 2021, with information technology infrastructure at 6.2%, followed by smartphone (11.4%) and cloud computing (18.4%). Despite 2020 being a challenging year due to the impact of the COVID-19 pandemic, Malaysia recorded total trade in E&E products worth RM638.9 billion, where exports rose 3.5% to RM386.1 billion, while imports rose to RM252.8 billion. In terms of productivity, the E&E sub-sector recorded a 4.5% productivity growth in 2020, the highest among the nine priority sub-sectors.

(Source: Double-digit growth in E&E exports to continue, says deputy minister, published on 6 April 2021, Malaysian Investment Development Authority)

The E&E manufacturing space is evolving, as more and more companies move into more knowledge-intensive, hi-tech, innovative, and higher-value-add activities. With the availability of a sophisticated talent pool – such as in the integrated circuit (IC) design segment – Malaysia is ready to shift forwards into the development of autonomous vehicles, smart machines, and robotics, among other things. Artificial intelligence provides huge future opportunities as the key technology that will drive the emergence of a fully-connected Industry 5.0 society and economy. AI's future dominance will help communities to make accurate decisions due to precise forecasting capabilities and business process optimisations. Future industry megatrends are forecast to be shaped heavily by the advancements made by Industry 4.0 pillars.

(Source: Malaysia's E&E Industry, Malaysian Investment Development Authority, published on 15 December 2020)

Deputy International Trade and Industry Minister Datuk Lim Ban Hong projected the growth for information technology infrastructure, smartphone and cloud computing to be at 6.2%, 11.4% and 18.4% respectively in the year 2021.

(Source: MSIA to enhance E&E productivity, competitiveness, published on 31 May 2021)

5.5 Overview and outlook of Thailand E&E industry

The outlook for Thai electronics manufacturers should generally improve over the three years from 2021 to 2023 as demand grows with recovery in the world economy (the IMF sees global growth reaching 5.5% in 2021 and 4.2% in 2022). Better business conditions will be helped by the extensive use of stimulus measures in many countries and success in the hunt for COVID-19 vaccines. Following their approval, the rollout of national vaccination programs since the close of 2020 will now help to suppress the spread of the pandemic and then to reduce the economic impacts of shutdowns, while the increase in demand for electronics goods during the period of lockdown has left global stocks depleted, and the need to refill this empty warehouse space will feed into stronger production.

(Source: <https://www.krungsri.com/en/research/industry/industry-outlook/Hi-tech-Industries/Electronics/IO/io-Electronics-21>, published on 19 March 2021)

The COVID-19 pandemic and the US-China trade friction have failed to slow Thailand's resilient E&E industry which on the contrary many investors see as a haven, Thailand Board of Investment (“BOI”) data shows. In the 1st 9 months of 2020, the number of foreign and domestic companies which applied to invest in Thailand's E&E sector actually rose to 106 projects, from 94 projects in the same period in 2019, making it by far the most popular sector, totalling over USD1.2 billion in investment applications submitted to the BOI.

(Source: <https://www.prnewswire.com/in/news-releases/thailand-s-electronics-sector-still-a-magnet-for-investors-in-jan-sep-boi-data-shows-861798135.html>, published on 26 October 2020)

In total, Thailand's E&E industry accounts for 10.4 percent of the Kingdom's gross domestic product, according to GSB Research, and for 24 percent of exports, according to Thailand's Ministry of Commerce. With 800,000 employees ranging from researchers with doctoral degrees to vocationally trained technicians and experienced assembly line workers, it is the country's largest manufacturing employer. “E&E is fundamental to Thailand 4.0”, says EEI president Narat Rujirat.

Even the COVID-19 pandemic and the US-China trade war have failed to stop Thailand's resilient E&E sector. On the contrary, Thailand is seen by many investors as a haven from both the coronavirus and trade spats. In the first nine months of 2020, the number of foreign and domestic companies that applied to invest in Thailand's E&E sector actually rose to 106 projects, from 94 projects in the same period in 2019, making it by far the most popular sector, totalling over \$1.2 billion in applications submitted to Thailand Board of Investment (BOI).

(Source: Why Thailand's smart electronics sector still remains a magnet for investors 4 January 2021, Bangkok Post)

5.6 Prospects of our Group

Our Group is involved in the manufacturing and trading of coatings, thinners and industrial chemicals as well as trading of architectural coatings and wall surface finishing materials with operations and manufacturing facilities in Malaysia and Thailand. Throughout our 20 years of industry experience, our Group has built our customer base from manufacturers, agencies and distributors in Malaysia and Thailand in the E&E, retail, housing and property development sectors.

Our Group mainly generates our revenue from the plastic and metal coatings segment which are sold to the electronic and electrical industry. Plastic and metal coatings segment accounts for approximately 69% of our Group's revenue for the FYE 31 December 2020 (FYE 31 December 2019: approximately 50%).

As the COVID-19 pandemic and resulting business restriction will have an adverse effect on a global economic scale in the immediate and long term, our Group further anticipates a sluggish demand for our coating products as customers will remain cautious on orders and purchases amidst weaker demand in their respective markets. In addition, our Group further anticipates a weaker demand for electronic and electrical items (e.g. home appliances and electronics) which would affect the demand for plastic and metal coatings. Notwithstanding the current challenging business environment due to the COVID-19 pandemic, the management of our Group will monitor closely on the progress of the COVID-19 outbreak as part of our efforts to mitigate the impact on our businesses and intends to introduce suitable measures such as continuous monitoring of sales activities, manufacturing cost as well as product delivery activities to maximise our Group's manufacturing efficiency during the pandemic.

Furthermore, the sales of coatings, thinners and industrial chemical products had been challenging for our Group in recent years due to the high manufacturing costs mainly attributable to the rising cost of raw materials (i.e. resins, crude oil, solvents and packaging materials) which affects our Group's manufacturing cost. Despite the sluggish demand as well as the financial impact caused by the COVID-9 pandemic, our Group had continuously strived to improve our earnings via continuous cost monitoring as well as to achieve economies of scale to lower our manufacturing cost which had eventually led our Group to record a PAT of RM0.2 million in FYE 31 December 2020 as opposed to a LAT of RM0.66 million in FYE 31 December 2019.

Moving forward, our Group is optimistic that 2021 will bring back some form of normality, resulting in improved economic outlook. Our Group will continue developing our business through diligent strategy implementation, sustainability and improved R&D, while focusing on operational excellence and cost discipline. Beyond short-term uncertainties, the Group remains confident about ASEAN's long-term potential and is well positioned to benefit from favourable market and industry trends.

Steps undertaken or to be undertaken by our Group to improve our financial position

Taking cognisance of the above, our Group plans to further improve our financial performance and strengthen our financial position by undertaking the following:

(i) Cost optimisation to improve financial condition

Our Group has been continuously monitoring our cost and cash flow management, maintaining our presence in the market and improving on our product delivery and customer satisfaction. Our Group had made efforts to reduce our costs and expenses through optimising the allocation of current human resources from 64 staffs in FYE 31 December 2016 to 56 staffs as at the LPD.

Our Group regularly reviews and monitor our manufacturing efficiency through the following:

- (a) inventory management in keeping adequate amount of inventory, thereby reducing the risk of loss, decay, and, damage. This is done through inventory forecasting, inventory levels monitoring to ensure amount at predetermined minimum level and place orders at times needed through sales trend analysis.
- (b) establish regular maintenance schedules to prevent machinery damages or failures. This is done by setting regular preventive maintenance routines to prevent manufacturing downtime during production process, which will lead to wastage and production delays.

To further improve our financial performance, our Group intends to adopt more effective cost rationalisation exercises to control our Group's day-to-day operational expenses via regular monitoring of our cost structure to eliminate unnecessary expenses as well as to take effective measures to reduce staff related expenses, office and administrative expenses for our operations by reviewing operational expenditure on a regular basis to determine any potential avenue for cost reduction.

(ii) Sustaining sales during COVID-19 pandemic

Over the years, our Group had established our customer base including local manufacturers, agencies and distributors in Malaysia and Thailand in the E&E, retail, housing and property development sectors. Our Group's customer base has been built up through our continuous active engagement with our existing and potential customers through organising site visit, meetings and exhibitions to understand our customers' requirements and needs.

Since the outbreak of COVID-19 pandemic, our Group has been unable to carry out our sales activities and product delivery activities at maximum capacity due to inevitable postponement/ cancellation of marketing activities as well as movement restrictions being imposed as preventative measures in light of the pandemic. Furthermore, customers have remained cautious on orders and purchases amidst demand uncertainty in their respective markets. Our Group has therefore taken various steps to re-assess our sales and marketing activities, which include negotiation with key customers, reseller or marketing agents to explore alternate arrangements which include revision of delivery schedules, demand forecasting and order planning to sustain sales at the optimal level. Depending on the timing of global recovery from the COVID-19 pandemic, our Group intends to expand our current sales and marketing team to capitalise on the potential demand for our products following the global recovery from the COVID-19 pandemic.

As at the LPD, our Group had secured several orders for our paint and coating products from E&E companies as well as automotive companies based in Malaysia and Thailand. Upon full commissioning of the new machineries and equipment (to be funded from the proceeds raised from Proposals), our Group's manufacturing yield and efficiency is expected to improve and at the same time, provide an avenue to take on more sales volume and orders.

(iii) R&D activities

The current paint and coating industry face continuous challenges to apply sophisticated technology to achieve environmentally friendly and durable coatings. It is predicted that environmentally friendly applications such as water-based systems will continue to be areas where advances will be made as customers of the E&E industry had begun demanding "green" products (i.e. water-based paint and coatings). The emergence of new technologies and developments such as nanotechnology and water-based coatings are expected to drive the growth and demand in the paint and coating industry in the future. In view of such, our Group predicts the paint and coating industry to be shifting towards water-based paint and coating in the near future and intends to utilise the funds raised from the Proposals to expand our R&D team to conduct R&D activities on water-based coatings (refer to **Section 2.5** of this Circular for more details on the utilisation).

Although our Group recorded a PAT of RM0.2 million in FYE 31 December 2020 (FYE 31 December 2019: LAT of RM0.66 million), any prolonged global spread of the COVID-19 pandemic may have a material impact to our Group's business, cash flows and financial condition and results of our operations. Hence, our Group will remain cautious and exercise extra vigilance in implementing our business strategies as well as continue to monitor our manufacturing costing structure.

(Source: Management of our Group)

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT II

6.1 Share capital

The proforma effects of the Proposed Private Placement II on the share capital of our Group are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
As at the LPD	215,349,000	12,786,137	215,349,000	12,786,137
Assuming full exercise of Outstanding Warrants 2013/2023	-	-	96,151,000	17,307,180 ⁽¹⁾
Assuming full exercise of Outstanding SIS Options	-	-	15,490,000	4,492,100 ⁽²⁾
	215,349,000	12,786,137	326,990,000	34,585,417
To be issued pursuant to the Proposed Private Placement I	43,069,800	11,628,846 ⁽³⁾	65,398,000	17,657,460 ⁽³⁾
To be issued pursuant to the Proposed Private Placement II	43,069,800	10,336,752 ⁽⁴⁾	65,398,000	15,695,520 ⁽⁴⁾
Enlarged share capital	301,488,600	34,751,735	457,786,000	67,938,397

Notes:

- (1) Assuming full exercise of 96,151,000 Outstanding Warrants 2013/2023 at an exercise price of RM0.18 each into 96,151,000 new Shares.
- (2) Assuming full exercise of 15,490,000 Outstanding SIS Options at an exercise price of RM0.29 each into 15,490,000 new Shares.
- (3) Based on the indicative issue price of RM0.27 per Placement Share.
- (4) Based on the indicative issue price of RM0.24 per Placement Share.

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6.2 Net assets and gearing

The proforma effects of the Proposed Private Placement II on the net assets and gearing of our Group are as follows:

Minimum Scenario

	(Audited)	(I)	(II)
	As at 31 December 2020 (RM)	After Proposed Private Placement I (RM)	After (I) and Proposed Private Placement II (RM)
Share capital	12,786,137	24,414,983 ⁽¹⁾	34,751,735 ⁽²⁾
Revaluation reserve	3,136,394	3,136,394	3,136,394
Foreign currency translation reserve	220,740	220,740	220,740
Accumulated losses	(354,852)	(474,852) ⁽³⁾	(634,852) ⁽⁴⁾
Shareholders' funds/ Net assets	15,788,419	27,297,265	37,474,017
No. of Shares	215,349,000	258,418,800	301,488,600
Net assets per Share (sen)	7.33	10.56	12.43
Total borrowings (RM)	84,589	84,589	84,589
Gearing (times)	0.01	<i>Negligible</i>	<i>Negligible</i>

Notes:

- (1) Based on the indicative issue price of RM0.27 per Placement Share.
- (2) Based on the indicative issue price of RM0.24 per Placement Share
- (3) After deducting estimated expenses of RM120,000 for the Proposed Private Placement I.
- (4) After deducting estimated expenses of RM160,000 for the Proposed Private Placement II.

Maximum Scenario

	(Audited)	(I)	(II)	(III)	(IV)
	As at 31 December 2020 (RM)	Assuming full exercise of Outstanding Warrants 2013/2023 (RM)	After (I) and assuming full exercise of Outstanding SIS Options (RM)	After (II) and Proposed Private Placement I (RM)	After (III) and Proposed Private Placement II (RM)
Share capital	12,786,137	30,093,317 ⁽¹⁾	34,585,417 ⁽²⁾	52,242,877 ⁽³⁾	67,938,397 ⁽⁴⁾
Revaluation reserve	3,136,394	3,136,394	3,136,394	3,136,394	3,136,394
Foreign currency translation reserve	220,740	220,740	220,740	220,740	220,740
Accumulated losses	(354,852)	(354,852)	(354,852)	(474,852) ⁽⁵⁾	(634,852) ⁽⁶⁾
Shareholders' funds/ Net assets	15,788,419	33,095,599	37,587,699	55,125,159	70,660,679
No. of Shares	215,349,000	311,500,000	326,990,000	392,388,000	457,786,000
Net assets per share (sen)	7.33	10.62	11.50	14.05	15.44
Total borrowings (RM)	84,589	84,589	84,589	84,589	84,589
Gearing (times)	0.01	<i>Negligible</i>	<i>Negligible</i>	<i>Negligible</i>	<i>Negligible</i>

Notes:

- (1) Assuming full exercise of 96,151,000 Outstanding Warrants 2013/2023 at an exercise price of RM0.18 each into 96,151,000 new Shares.
- (2) Assuming full exercise of 15,490,000 Outstanding SIS Options at an exercise price of RM0.29 each into 15,490,000 new Shares.
- (3) Based on the indicative issue price of RM0.27 per Placement Share.
- (4) Based on the indicative issue price of RM0.24 per Placement Share.
- (5) After deducting estimated expenses of RM120,000 for the Proposed Private Placement I.
- (6) After deducting estimated expenses of RM160,000 for the Proposed Private Placement II.

6.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement II on the substantial shareholders' shareholdings in our Company based on our Company's Register of Substantial Shareholders as at the LPD are as follows:

Minimum Scenario

	As at the LPD				(I) After the Proposed Private Placement I			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
SerSol Holdings Sdn. Bhd.	40,001,898	18.58	-	-	40,001,898	15.48	-	-
Toh Hong Chye	10,332,249	4.80	40,001,898	18.58 ⁽¹⁾	10,332,249	4.00	40,001,898	15.48
Lim Kim Chai	-	-	40,001,898	18.58 ⁽¹⁾	-	-	40,001,898	15.48
Placee(s)	-	-	-	-	43,069,800	16.67	-	-

	(II) After (I) and the Proposed Private Placement II			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
SerSol Holdings Sdn. Bhd.	40,001,898	13.27	-	-
Toh Hong Chye	10,332,249	3.43	40,001,898	13.27 ⁽¹⁾
Lim Kim Chai	-	-	40,001,898	13.27 ⁽¹⁾
Placee(s)	86,139,600	28.57	-	-

Maximum Scenario

Name	As at the LPD				(I) Assuming full exercise of Outstanding Warrants 2013/2023			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
SerSol Holdings Sdn. Bhd.	40,001,898	18.58	-	-	50,002,847 ⁽²⁾	16.05	-	-
Toh Hong Chye	10,332,249	4.80	40,001,898	18.58 ⁽¹⁾	10,333,598 ⁽³⁾	3.32	50,002,847	16.05 ⁽¹⁾
Lim Kim Chai	-	-	40,001,898	18.58 ⁽¹⁾	-	-	50,002,847	16.05 ⁽¹⁾
Placee(s)	-	-	-	-	-	-	-	-

Name	(II) After (I) and assuming full exercise of Outstanding SIS Options				(III) After (II) and the Proposed Private Placement I			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
SerSol Holdings Sdn. Bhd.	50,002,847	15.29	-	-	50,002,847	12.74	-	-
Toh Hong Chye	15,333,598	4.69	50,002,847	15.29 ⁽¹⁾	15,333,598	3.91	50,002,847	12.74 ⁽¹⁾
Lim Kim Chai	-	-	50,002,847	15.29 ⁽¹⁾	-	-	50,002,847	12.74 ⁽¹⁾
Placee(s)	-	-	-	-	65,538,000	16.67	-	-

Name	(IV) After (III) and the Proposed Private Placement II			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
SerSol Holdings Sdn. Bhd.	50,002,847	10.29	-	-
Toh Hong Chye	15,333,598	3.35	50,002,847	10.92 ⁽¹⁾
Lim Kim Chai	-	-	50,002,847	10.92 ⁽¹⁾
Placee(s)	130,796,000	28.57	-	-

Notes:

- (1) Deemed interested through his shareholding in SerSol Holdings Sdn Bhd.
- (2) As at the LPD, SerSol Holdings Sdn. Bhd. holds 10,000,949 Warrants 2013/2023.
- (3) As at the LPD, Toh Hong Chye holds 1,349 Warrants 2013/2023.

6.4 Earnings and EPS

The Proposed Private Placement II is not expected to have any material effect on our Group's earnings and EPS for the financial year ending 31 December 2021 as the Proposed Private Placement II may be completed within 6 months from the date of approval from Bursa Securities whilst the proceeds to be raised are expected to be used over a period of up to 36 months from the date of listing of the Placement Shares. The issuance of Placement Shares will cause our Group's EPS to be diluted as a result of the increase in the number of Shares. However, the Proposals are expected to contribute positively to the future earnings and EPS of our Group when the economic and financial benefits from the use of proceeds are realised.

6.5 Convertible securities

As at the LPD, our Company does not have any outstanding options, warrants or convertible securities except for the Outstanding Warrants 2013/2023 and Outstanding SIS Options.

The Proposed Private Placement II will not give rise to any adjustment to the number and exercise price of the Outstanding Warrants 2013/2023 and Outstanding SIS Options.

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7. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted prices of our Group's Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
<u>2020</u>		
June	0.150	0.105
July	0.170	0.120
August	0.325	0.140
September	0.290	0.160
October	0.195	0.145
November	0.280	0.155
December	0.270	0.175
<u>2021</u>		
January	0.245	0.175
February	0.240	0.190
March	0.265	0.215
April	0.315	0.210
May	0.450	0.225

Last transacted market price on 19 May 2021 (being the last trading date prior to the Announcement) was RM0.24 per Share.

Last transacted market price on 8 June 2021 (being the LPD) was RM0.295 per Share.

(Source: Bloomberg)

8. APPROVALS REQUIRED

The Proposed Private Placement II is subject to approvals being obtained:

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities, which was obtained vide its letter dated 24 June 2021; and
- (ii) the shareholders of our Company at the EGM to be convened.

The approval of Bursa Securities for the Proposed Private Placement II is subject to the following conditions:

	Conditions imposed	Status of compliance
(a)	Sersol and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied
(b)	Sersol and TA Securities to inform Bursa Securities upon the completion of the Proposals; and	To be complied
(c)	Sersol to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals is completed.	To be complied

9. CONDITIONALITY OF THE PROPOSED PRIVATE PLACEMENT II

The Proposed Private Placement II is not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

10. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Private Placement I and Proposed Private Placement II, our Board is not aware of any corporate exercise which have announced but not yet completed prior to the printing of this Circular.

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

None of our Company's directors, major shareholders, chief executive and/or persons connected with them has any interest, direct and/or indirect, in the Proposed Private Placement II in view of the fact that the Placement Shares will not be placed to them as mentioned in **Section 2.2** of this Circular.

12. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, after having considered all aspects of the Proposed Private Placement II, including but not limited to the rationale, use of proceeds and effects of the Proposed Private Placement II, our Board is of the opinion that the Proposed Private Placement II is in the best interests of our Company and accordingly recommend you to vote **IN FAVOUR** of the resolution in respect of the Proposed Private Placement II to be tabled at our forthcoming EGM.

13. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals from the relevant authorities being obtained, our Board expects the Proposed Private Placement II to be completed in the 2nd half of 2021.

14. EGM

Our EGM, the notice of which is set out in this Circular, will be conducted virtually with the main venue at Boardroom, 1-40-2, Menara Bangkok Bank, Berjaya Central Bank, No. 105 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Thursday, 29 July 2021 at 4.00 p.m., or at any adjournment thereof, or immediately following the conclusion or adjournment of the Eighteenth Annual General Meeting of our Company scheduled to be held on the same day at 3.00 p.m., whichever is earlier, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Private Placement II.

If you are unable to attend and vote at our virtual EGM, you should complete, sign and return the enclosed Proxy Form in accordance with the instructions provided thereon so as to arrive at the Poll Administrator, Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia or via email to AGM-Support.Sersol@megacorp.com.my not less than forty eight (48) hours before the time set for holding our EGM or any adjournment thereof.

The lodging of the Proxy Form will not, however, preclude you from attending our virtual EGM and voting remotely should you subsequently wish to do so.

15. FURTHER INFORMATION

You are advised to refer to the **Appendix I** set out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
SERSOL BERHAD

TOH HONG CHYE
Executive Chairman

ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts and information, the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS

TA Securities, being the adviser for the Proposed Private Placement II, 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.

3. CONFLICT OF INTERESTS

TA Securities has confirmed that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the adviser for the Proposed Private Placement II.

4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, neither our Company nor our subsidiary companies is engaged in any material litigations, claims or arbitration, either as plaintiff or defendant, and our Board does not have any knowledge of any proceedings, pending or threatened, against our Company or our Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group:

(i) Special Commissioners of Income Tax in Putrajaya Appeal No. PKCP(R) 416-417/2017

The Director General of Inland Revenue informed Multi Square Sdn Bhd ("MSSB") on 9 July 2015 that it was disallowed to deduct the following expenses under Section 33(1) of the Income Tax Act 1967:

- (a) management fees in the sum of RM316,500.00 paid to SerSol for the year of assessment 2010;
- (b) management fees in the sum of RM728,500.00 paid to SerSol, for the year of assessment 2011; and
- (c) management fees in the sum of RM276,875.00 paid to SerSol, for the year of assessment 2012;

On 4 August 2015, the Director General of Inland Revenue raised notices of additional assessment for the years of assessment 2010 and 2011 with penalty.

MSSB filed a petition of appeal against the Director General of Inland Revenue on 28 August 2017, inter alia, for the conclusion that the Director General of Inland Revenue had no basis to disallow the deduction of the said management fees paid to SerSol for the years of assessment 2010, 2011 and 2012 as well as to refund of the sum of RM378,812.50 (being the total penalty of RM114,731.25 for the year of assessment of 2010 and RM264,081.25 for the year of assessment of 2011).

On 6 April 2021, the Special Commissioner of Income Tax dismissed MSSB's appeal.

ADDITIONAL INFORMATION (CONT'D)

(ii) Kuala Lumpur High Court Civil Appeal No. WA-14-11-04/2021

Dissatisfied with the decision of the Special Commissioner of income tax dated 6 April 2021 in regards to the Petition of Appeal No. PKCP(R) 416-417/2017 (as stated in Section 4(i) above), MSSB appealed to the High Court of Kuala Lumpur vide a notice of appeal dated 23 April 2021.

The matter is fixed for case management on 29 June 2021 pending the grounds of judgement from the Special Commissioner of Income Tax.

5. MATERIAL COMMITMENT

As at the LPD, our Board confirms that there is no material commitment incurred or known to be incurred by our Group, which upon becoming enforceable, may have material impact on the financial position of our Group.

6. CONTINGENT LIABILITIES

Our Board has confirmed that there are no other contingent liabilities incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group as at the LPD.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia during normal business hours from 8.30 a.m. to 5.30 p.m. from Monday to Friday (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of our forthcoming EGM:

- (i) the Constitution of our Company;
- (ii) our Group's audited financial statements for the past 2 FYEs 31 December 2019 and 31 December 2020;
- (iii) the letter of consent and conflict of interest as referred to in **Sections 2 and 3** above; and
- (iv) the relevant cause papers in respect of the material litigation as referred to in **Section 4** above.

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SERSOL BERHAD

[Registration No. 200201034397 (602062-X)]
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Sersol Berhad (“**Sersol**” or “**Company**”) will be conducted virtually with the main venue at Boardroom, 1-40-2, Menara Bangkok Bank, Berjaya Central Bank, No. 105 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Thursday, 29 July 2021 at 4.00 p.m., or at any adjournment thereof, or immediately following the conclusion or adjournment of the Eighteenth Annual General Meeting of Sersol scheduled to be held on the same day at 3.00 p.m., whichever is earlier, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF UP TO 65,398,000 NEW ORDINARY SHARES IN SERSOL (“SHARES”) (“PLACEMENT SHARES”), REPRESENTING UP TO 20% OF THE NUMBER OF ISSUED SHARES (EXCLUDING ANY TREASURY SHARES) (“PROPOSED PRIVATE PLACEMENT II”)

“THAT approval be and is hereby given to the Board of Director (“**Board**”) to allot and issue up to 65,398,000 Placement Shares at an issue price to be determined based on the 5-day volume weighted average market price of Shares immediately preceding the date on which the price of the Placement Shares will be fixed with a discount of not more than 20% to such persons and at such time as the Board deem fit, for such purpose and utilisation of proceeds as disclosed in the circular to shareholders dated 30 June 2021 (“**Circular**”).

THAT the Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

AND THAT the Board be and is hereby authorised to do all acts and things as they may consider necessary or expedient in the best interest of the Company with the full powers to assent to any conditions, modifications, variations and/or amendments as may be required, or imposed by the relevant authorities, and to take all steps and to enter into all such agreements, arrangements, undertakings, indemnities, transfer, assignments and guarantees with any party or parties and to carry out any other matters as may be required to implement, finalise and give full effect to the Proposed Private Placement II.”

By Order of the Board

Chin Wai Yi (MAICSA 7069783) (SSM PC No. 202008004409)

Company Secretary

Kuala Lumpur

Date: 30 June 2021

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy and shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. An instrument appointing a proxy must be in writing under the hand of the appointer or his/her attorney is duly authorised and in the case of a corporation shall be either under its common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Poll Administrator, Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia or via email to AGM-Support.Sersol@megacorp.com.my not less than forty eight (48) hours before the time set for holding the meeting or at any adjournment of meeting, failing which, the instrument of proxy shall not be treated as valid.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 22 July 2021 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

PROXY FORM

CDS ACCOUNT NO. OF
AUTHORISED NOMINEE

NUMBER OF SHARES HELD

SERSOL BERHAD
[Registration No. 200201034397 (602062-X)]
(Incorporated in Malaysia)

I/We, _____ NRIC/Passport No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

contact no. _____ email address _____ being a member/ members of **Sersol Berhad** (“Sersol” or “Company”) hereby appoint the person(s) below as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company (“EGM”) will be conducted virtually with the main venue at Boardroom, 1-40-2, Menara Bangkok Bank, Berjaya Central Bank, No. 105 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Thursday, 29 July 2021 at 4.00 p.m. or at any adjournment thereof, or immediately following the conclusion or adjournment of the Eighteenth Annual General Meeting of the Company scheduled to be held on the same day at 3.00 p.m., whichever is earlier.

IMPORTANT NOTE:

Please (i) tick [✓] either **ONE** of the option (a) or (b) for the number of proxy which you wish to appoint, (ii) complete the details of your proxy/proxies and the proportion of your shareholding to be represented (if applicable), (iii) please tick [✓] option (c) if you would like to appoint the Chairman of the EGM as the proxy or failing the proxy to vote on your behalf and (iv) sign or execute this form.

Option	Name of proxy(ies)	NRIC/ Registration No.	Email Address & Phone Number	Proportion of shareholding to be represented
(a)	Appoint ONE proxy only (Please complete details of proxy below)			
				100%
(b)	Appoint MORE THAN ONE proxy (Please complete details of proxies below)			
Proxy 1				%
Proxy 2				%
				100%
(c)	The Chairman of the EGM as my/our proxy and/or failing the above proxy to vote for me/us on my/our behalf			

My/our proxy/proxies is/are to vote as indicated below:

Please indicate with an “X” in the appropriate box provided to indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on the Resolutions, the proxy shall vote at his/her discretion, or abstain from voting as the proxy thinks fit.

NO.	RESOLUTION	FOR	AGAINST
	Ordinary Business		
Ordinary Resolution 1	Proposed Private Placement II		

Dated this ____ day of _____ 2021

Signature / Common Seal of Shareholder

Contact No: _____

NOTES:

1. *A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
2. *A member shall be entitled to appoint more than one (1) proxy and shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting.*
3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *An instrument appointing a proxy must be in writing under the hand of the appointer or his/her attorney is duly authorised and in the case of a corporation shall be either under its common seal or under the hand of an officer or attorney duly authorised.*
6. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Poll Administrator, Mega Corporate Services Sdn Bhd, Level 15-2, Bangunan Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia or via email to AGM-Support.Sersol@megacorp.com.my not less than forty eight (48) hours before the time set for holding the meeting or at any adjournment of meeting, failing which, the instrument of proxy shall not be treated as valid.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 22 July 2021 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

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AFFIX
STAMP

Mega Corporate Services Sdn. Bhd.,
Poll Administrator of

SERSOL BERHAD [Registration No, 200201034397602062-X]
Level 14-2, Bangunan Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

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