

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 ADVISER 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 by TA Securities Holdings Berhad as the Adviser to Sersol Berhad.



SERSOL BERHAD

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) PROPOSED BONUS ISSUE OF UP TO 384,227,375 NEW ORDINARY SHARES IN SERSOL BERHAD (“SERSOL” OR “COMPANY”) (“SERSOL SHARE(S)” OR “SHARE(S)”) (“BONUS SHARE(S)”) ON THE BASIS OF 7 BONUS SHARES FOR EVERY 8 EXISTING SERSOL SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED BONUS ISSUE OF SHARES”); AND**
- (II) PROPOSED FREE WARRANTS ISSUE OF UP TO 164,668,875 FREE WARRANTS (“WARRANT(S)” OR “WARRANT(S) B”) ON THE BASIS OF 1 WARRANT FOR EVERY 5 EXISTING SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED FREE WARRANTS ISSUE”)**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

 **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 will be conducted virtually from the Broadcast Venue at 10.3, 10th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 17 June 2022, 12.00 p.m., or at any adjournment thereof, or immediately after the conclusion of the Company’s Nineteenth Annual General Meeting (“**19th AGM**”) scheduled to be held on the same day at 11.00 a.m., whichever is later. The Notice of the EGM and Proxy Form are enclosed in this Circular.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Proxy Form at Sersol’s Poll Administrator’s office, Aldpro Corporate Services Sdn. Bhd., at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.

The lodgment of the Proxy Form shall not preclude you from attending and voting at the EGM should you subsequently wish to do so and in such event, your Proxy Form shall be deemed to have been revoked.

Last day, date and time for lodging the Proxy Form	:	Wednesday, 15 June 2022 at 12.00 p.m.
Date and time of the EGM	:	Friday, 17 June 2022, 12.00 p.m. or such time immediately after the conclusion or adjournment (as the case may be) of the 19 th AGM to be held at the same venue on the same day at 11.00 a.m., whichever is later.

DEFINITIONS

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

ACE Market	:	ACE Market of Bursa Securities
Act or Companies Act	:	Companies Act 2016 of Malaysia, as may be amended, supplemented or modified from time to time
Adjustments	:	Adjustments to be made to: <ul style="list-style-type: none">(i) the exercise price of Warrants A and number of Warrants A in accordance with the provisions of Deed Poll A, pursuant to the Proposed Bonus Issue of Shares; and(ii) the exercise price of SIS Options and number of SIS Options in accordance with the provisions of By-Laws, pursuant to the Proposed Bonus Issue of Shares
Adjustment SIS Options	:	Additional SIS Options to be issued arising from the Adjustments
Adjustment Warrants A	:	Additional Warrants A to be issued arising from the Adjustments
Board	:	Board of Directors of Sersol
Bonus Shares	:	Up to 384,227,375 new Sersol Shares to be allotted and issued pursuant to the Proposed Bonus Issue of Shares
Bonus Shares Entitlement Date	:	The date (to be determined by the Board and announced by the Company) as at the close of business at 5.00 p.m. on which the names of shareholders must appear in the Record of Depositors in order to be entitled to the Proposed Bonus Issue of Shares
Bonus Shares Entitled Shareholders	:	The shareholders of the Company whose names appear in the Record of Depositors of the Company on the Bonus Shares Entitlement Date
Bursa Depository	:	Bursa Malaysia Depository Sdn. Bhd.
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	By-Laws governing the SIS, as amended, modified and supplemented from time to time in accordance with the provisions of the By-Laws
Circular	:	This circular to the shareholders of Sersol dated 18 May 2022
CMSA	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
Convertible Securities	:	Warrants A and SIS Options, collectively
COVID-19	:	Coronavirus disease 2019, an infectious disease which affects the respiratory system, and is a global pandemic
Deed Poll A	:	The deed poll constituting the Warrants A dated 15 March 2013
Deed Poll B	:	The deed poll constituting the Warrants B to be executed by the Company in relation to the Proposed Free Warrants Issue

DEFINITIONS (Cont'd)

Director(s)	:	A natural person who holds a directorship in the Company for the time being, whether in an executive or non-executive capacity, falling within the meaning given in Section 2(1) of the CMSA and Section 2(1) of the Act
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
FYE	:	Financial year ended/ ending 31 December, as the case may be
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
LPD	:	29 April 2022, being the latest practicable date prior to the printing of this Circular
LPS	:	Losses per Share
LTD	:	12 April 2022, being the market day immediately before the submission of the application in relation to the Proposals to Bursa Securities
Maximum Scenario	:	<p>Comprising up to 384,227,375 Bonus Shares and up to 164,668,875 Warrants B.</p> <p>The Maximum Scenario was arrived at based on the total number of 288,080,000 issued Sersol Shares as at the LPD and assuming:</p> <ul style="list-style-type: none">(i) all the 85,769,000 outstanding Warrants A are exercised into 85,769,000 new Shares;(ii) all the 70,000 outstanding SIS Options are exercised into 70,000 new Shares; and(iii) all the 65,198,000 Placement Shares under Private Placement I are fully placed out; <p>before the implementation of the Proposals.</p>
MCO(s)	:	Movement control order(s)
Minimum Scenario	:	<p>Comprising 252,070,000 Bonus Shares and 108,030,000 Warrants B.</p> <p>The Minimum Scenario was arrived at based on the total number of 288,080,000 issued Sersol Shares as at the LPD and assuming:</p> <ul style="list-style-type: none">(i) none of the 85,769,000 outstanding Warrants A are exercised into new Shares;(ii) none of the 70,000 outstanding SIS Options are exercised into new Shares; and(iii) none of the Placement Shares under Private Placement I are placed out; <p>before the implementation of the Proposals.</p>
NA	:	Net assets
Placement Shares	:	The Shares issued and to be issued pursuant to the Private Placements

DEFINITIONS (Cont'd)

Private Placement I	:	Private placement of up to 20% of the total number of issued Shares (excluding treasury shares), under the general mandate pursuant to Section 76 of the Act which was obtained from the Company's shareholders on 29 July 2021. The Company intends to renew the general mandate for Private Placement I and is seeking its shareholders' approval for the private placement of up to 20% of the total number of issued Shares (excluding treasury shares), under the general mandate pursuant to Section 76 of the Act, at its Nineteenth (19 th) Annual General Meeting to be held before the EGM on 17 June 2022.
Private Placement II	:	Proposed private placement of up to 20% of the total number of issued Shares (excluding any treasury shares). The Private Placement II was completed on 5 April 2022
Private Placements	:	Private Placement I and Private Placement II, collectively
Proposals	:	Proposed Bonus Issue of Shares and Proposed Free Warrants Issue, collectively
Proposed Bonus Issue of Shares	:	Proposed bonus issue of up to 384,227,375 Bonus Shares on the basis of 7 Bonus Shares for every 8 existing Shares held on the Bonus Shares Entitlement Date
Proposed Free Warrants Issue	:	Proposed free warrants issue of up to 164,668,875 Warrants on the basis of 1 Warrant for every 5 existing Shares held on the Warrants Entitlement Date
Record of Depositors	:	A record consisting of names of depositors established by Bursa Malaysia Depository Sdn Bhd
RM and sen	:	Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia
Sersol or Company	:	Sersol Berhad
Sersol Group or Group	:	Sersol and its subsidiaries, collectively
Sersol Share(s) or Share(s)	:	Ordinary share(s) in Sersol
SIS	:	The existing share issuance scheme of the Company
SIS Options	:	70,000 SIS options granted which are currently outstanding as at the LPD and are exercisable into 70,000 new Sersol Shares
TA Securities or Adviser	:	TA Securities Holdings Berhad
TEBP	:	Theoretical ex-bonus price
VWAP	:	Volume weighted average market price
Warrants A	:	85,769,000 outstanding Warrants 2013/2023 as at the LPD, with an exercise price of RM0.18 each and expiring on 18 April 2023
Warrant(s) or Warrant(s) B	:	Up to 164,668,875 Warrants to be allotted and issued pursuant to the Proposed Free Warrants Issue
Warrants Entitled Shareholders	:	The shareholders of the Company whose names appear in the Record of Depositors of the Company on the Warrants Entitlement Date

DEFINITIONS (Cont'd)

Warrants Entitlement Date : The date (to be determined by the Board and announced by the Company as at the close of business at 5.00 p.m. of which the names of shareholders must appear in the Record of Depositors in order to be entitled to the Proposed Free Warrants Issue

All references to “**you**” in this Circular are references to shareholders of Sersol. All references to “**our**” in this Circular are references to Sersol.

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and/ or neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any provision of a statute, rule, regulation, enactment, or rule of a stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of a stock exchange (as the case may be) as modified by any written law, or, if applicable, any amendment of re-enactment to the statute, rule, regulation, enactment or rule of a stock exchange for the time being in force. Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the figures included in this Circular between the amount stated, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to the Circular
	<p><u>Proposed Free Warrants Issue</u></p> <p>The Proposed Free Warrants Issue is intended to:</p> <ul style="list-style-type: none"> (i) enable the Company's shareholders to participate in convertible securities of the Company which are issued at no cost to them and are tradable on the ACE Market of Bursa Securities; (ii) strengthen the Group's capital base and shareholders' funds as well as potentially provide funds for the Group to finance its working capital requirements as and when the Warrants B are exercised without incurring interest cost, as compared to the bank borrowings; (iii) provide the existing shareholders of the Company with an opportunity to increase their equity in the Company at a predetermined price during the tenure of the Warrants B; and (iv) allow the existing shareholders of the Company to benefit from any potential capital appreciation of the Warrants B. 	Section 5.2
Approvals required	<p>The Proposals are subject to the following approvals being obtained:</p> <ul style="list-style-type: none"> (i) the approval of Bursa Securities for the: <ul style="list-style-type: none"> (a) listing and quotation of up to 385,277,375 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares; (b) listing and quotation of up to 75,296,550 Adjustment Warrants A to be issued pursuant to the adjustment arising from the Proposed Bonus Issue of Shares; (c) listing and quotation of up to 75,296,550 new Sersol Shares to be issued pursuant to the exercise of the Adjustment Warrants A; (d) admission to the Official List and listing and quotation of up to 165,118,875 Warrants B to be issued pursuant to the Proposed Free Warrants Issue; and (e) listing and quotation of up to 165,118,875 new Sersol Shares to be issued arising from the exercise of the Warrants B; <p>on the ACE Market of Bursa Securities;</p> (ii) the approval of the Company's shareholders at an EGM to be convened; and (iii) the approvals/ consents of any other relevant authorities and/ or parties, if required. 	Section 8

EXECUTIVE SUMMARY (Cont'd)

Key information	Description	Reference to the Circular
Interests of directors, major shareholders, chief executive of the Company and/ or persons connected with them	None of the Company's Directors, major shareholders, chief executive and/ or persons connected with them has any interest, direct or indirect, in the Proposals other than their respective entitlements under the Proposals as shareholders of the Company, to which all Bonus Shares Entitled Shareholders and Warrants Entitled Shareholders are similarly entitled to.	Section 10
Board's recommendation	<p>The Board, after having considered all aspects of the Proposals including, the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.</p> <p>The Board recommends that you vote IN FAVOUR of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.</p>	Section 11

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

18 May 2022

Board of Directors

Dato' Lim Tiong Siang (*Non-Independent Non-Executive Chairman*)
Datuk Justin Lim Hwa Tat (*Managing Director*)
Tan Fie Jen (*Executive Director*)
Chan Gee Wah (*Executive Director*)
Leong Lup Yan (*Independent Non-Executive Director*)
Muhammad Hiqmar Danial Bin Hidzir (*Independent Non-Executive Director*)
Sia Meng Chan (*Independent Non-Executive Director*)

To: Shareholders of Sersol Berhad

Dear Sir/ Madam,

- (I) **PROPOSED BONUS ISSUE OF SHARES; AND**
(II) **PROPOSED FREE WARRANTS ISSUE**
-

1. INTRODUCTION

On 22 March 2022, TA Securities had, on behalf of the Board announced that the Company proposes to undertake the following:

- (i) proposed bonus issue of up to 457,786,000 new Shares ("**Initial Bonus Shares**") on the basis of 1 Initial Bonus Share for every 1 existing Sersol Share held by the shareholders of Sersol whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined later ("**Initial Proposed Bonus Issue of Shares**"); and
- (ii) proposed free warrants issue of up to 152,595,333 free warrants ("**Initial Warrants B**") on the basis of 1 Initial Warrant B for every 6 existing Shares held by the shareholders of Sersol whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined later ("**Initial Proposed Free Warrants Issue**").

(Collectively, referred to as the "**Previous Proposals**")

On 12 April 2022, TA Securities had, on behalf of the Board announced that the Company resolved to revise the Previous Proposals to the Proposals. For the avoidance of doubt, the revisions (in respect of the basis of entitlement for the Proposed Bonus Issue of Shares, number of Bonus Shares, basis of entitlement for the Proposed Free Warrants Issue and number of Warrants to be issued) as per the Proposals shall supersede the Previous Proposals.

On 28 April 2022, TA Securities had, on behalf of the Board announced that Bursa Securities had, vide its letter dated 27 April 2022, granted its approval for the following:

- (i) listing and quotation of up to 385,277,375* Bonus Shares ("**Approved Bonus Shares**") to be issued pursuant to the Proposed Bonus Issue of Shares;
- (ii) listing and quotation of up to 75,296,550* Adjustment Warrants A ("**Approved Adjustment Warrants A**") to be issued pursuant to the adjustment arising from the Proposed Bonus Issue of Shares;
- (iii) listing and quotation of up to 75,296,550* new Sersol Shares to be issued pursuant to the exercise of the Adjustment Warrants A;
- (iv) admission to the Official List and listing and quotation of up to 165,118,875* Warrants B ("**Approved Warrants B**") to be issued pursuant to the Proposed Free Warrants Issue; and
- (v) listing and quotation of up to 165,118,875* new Sersol Shares to be issued arising from the exercise of the Warrants B,

on the ACE Market of Bursa Securities.

Note:

* *The maximum number of Approved Bonus Shares, Approved Adjustment Warrants A and Approved Warrants B to be issued as well as new Sersol Shares to be issued pursuant to the exercise of the Approved Adjustment Warrants A and Approved Warrants B, were arrived at based on the number of Sersol Shares in issue and number of convertible securities outstanding as at 5 April 2022 (being the latest practicable date prior to the submission of the application in relation to the Proposals to Bursa Securities).*

Section 7.1 of this Circular sets out the maximum number of Bonus Shares, Adjustment Warrants A and Warrants B to be issued as well as new Sersol Shares to be issued pursuant to the exercise of the Adjustment Warrants A and Warrants, based on the number of Sersol Shares in issue and number of convertible securities outstanding as at the LPD (i.e., 29 April 2022) prior to the implementation of the Proposals.

*Please refer to **Section 7.1, Note (8)** of this Circular for further information.*

The approval of Bursa Securities is subject to the conditions as set out in **Section 8** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED BONUS ISSUE OF SHARES

2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue of Shares will entail the issuance of up to 384,227,375 Bonus Shares on the basis of 7 Bonus Shares for every 8 existing Shares held by the Bonus Shares Entitled Shareholders.

The actual number of Sersol Shares to be issued pursuant to the Proposed Bonus Issue of Shares will depend on the total number of issued Shares as at the Bonus Shares Entitlement Date.

For illustrative purposes only, the maximum number of 384,227,375 Bonus Shares under the Maximum Scenario was arrived at after taking into account the following:

- (i) Sersol's existing number of issued Shares being 288,080,000 as at the LPD. As at the LPD, the Company does not have any treasury shares;
- (ii) assuming 85,769,000 Warrants A as at the LPD are fully exercised into new Shares. The Warrants A are constituted by the Deed Poll A and have an exercise price of RM0.18 each and are expiring on 18 April 2023;
- (iii) assuming 70,000 SIS Options granted under the SIS are fully converted into new Shares. The SIS* took effect on 13 May 2013 pursuant to the By-Laws. The 70,000 outstanding SIS Options have an exercise price of RM0.29 each.

Note:

* *The SIS took effect on 13 May 2013 and was in force for a period of 5 years until 13 May 2018. On 30 April 2018, the Board resolved to extend the duration of the SIS to 13 May 2023.*

The Company has undertaken not to grant any further SIS Options until completion of the Proposals; and

- (iv) assuming completion of the placement of up to 65,198,000 Placement Shares under Private Placement I prior to the Bonus Shares Entitlement Date. Further details on the Private Placements are set out in **Section 4.1** of this Circular.

The basis of 7 Bonus Shares for every 8 existing Shares was determined after taking into consideration, amongst others, potential enhancement to the trading liquidity of Sersol Shares traded in the market given the adjustments to the share price of Sersol Shares arising from the Proposed Bonus Issue of Shares as well as increase in number of Sersol Shares pursuant to the Proposed Bonus Issue of Shares.

The Board takes cognisance of the share price adjusted for a bonus issue under Rule 6.31(1A) of the Listing Requirements. Pursuant to Rule 6.31(1A) of the Listing Requirements, the share price adjusted for the Proposed Bonus Issue of Shares should not be less than RM0.20 based on the daily VWAP during the past 3-month period prior to the date of the listing application to Bursa Securities.

Fractional entitlements arising from the Proposed Bonus Issue of Shares, if any, will be disregarded and/ or dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient and in the best interest of the Company.

The reference price of Sersol Shares will be adjusted for the Proposed Bonus Issue of Shares. For illustrative purposes, based on:

- (i) the 5-day VWAP of Sersol Shares up to and including the LPD; and
- (ii) the lowest daily VWAP of Sersol Shares during the past 3-month period up to and including the LTD,

the TEBP of Sersol Shares is as follows:

	Before the Proposed Bonus Issue of Shares	After the Proposed Bonus Issue of Shares
	Market price	TEBP
5-day VWAP up to the LPD (RM)	0.4065	@0.2168
Lowest daily VWAP during the past 3-month period up to and including the LTD (RM)	0.3810	0.2032
No. of Shares	*288,080,000	Up to ^823,344,375

Notes:

@ For illustration purposes, the TEBP of Sersol Shares based on 5-day VWAP up to the LPD is arrived at based on the following formula:

$$\begin{aligned}
 \text{TEBP} &= \frac{P \times Y}{Y + X} \\
 &= \frac{0.4065 \times 8}{8 + 7} \\
 &= \textbf{RM0.2168}
 \end{aligned}$$

Where:

P = 5-day VWAP up to the LPD (RM)

Y = Number of existing Shares (unit) to be held in order to be entitled for 7 Bonus Shares

X = Bonus Shares (unit)

* Represents the number of issued Shares as at the LPD.

^ Based on Maximum Scenario.

The Board confirms that the share price adjusted for the Proposed Bonus Issue of Shares is not less than RM0.20 based on the daily VWAP during the past 3-month period up to and including the LTD, in accordance with Rule 6.31(1A) of the Listing Requirements.

The Proposed Bonus Issue of Shares is not intended to be implemented in stages over a period of time.

2.2 No capitalisation of reserves

In compliance with the provisions of the Act, the Board has resolved that the Bonus Shares shall be issued as fully paid shares at no consideration and without any capitalisation of the Company's reserves.

The Proposed Bonus Issue of Shares will increase the number of issued Sersol Shares but will not increase the value of the share capital of Sersol.

2.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Sersol Shares.

As the Sersol Shares are prescribed securities under Section 14(5) of the Securities Industry (Central Depositories) Act, 1991, the Bonus Shares will be credited directly into the respective Central Depository System accounts of the Bonus Shares Entitled Shareholders and no physical share certificates will be issued.

For the avoidance of doubt, the Bonus Shares will be entitled to the Warrants.

2.4 Listing and quotation of the Bonus Shares, Adjustment Warrants A and new Sersol Shares to be issued arising from the exercise of the Adjustment Warrants A

The Bonus Shares, Adjustment Warrants A and new Sersol Shares to be issued arising from the exercise of the Adjustment Warrants A will be listed on the ACE Market of Bursa Securities. Bursa Securities had, vide its letter dated 27 April 2022, granted its approval for, among others, listing of and quotation for the Bonus Shares, Adjustment Warrants A and new Sersol Shares to be issued arising from the exercise of the Adjustment Warrants A on the ACE Market of Bursa Securities. Further information is set out in **Section 8** of this Circular.

3. DETAILS OF THE PROPOSED FREE WARRANTS ISSUE

3.1 Basis and number of Warrants B to be issued

The Proposed Free Warrants Issue entails the issuance of up to 164,668,875 Warrants B on the basis of 1 Warrant B for every 5 existing Shares held by the Warrants Entitled Shareholders.

It is the intention of the Company to complete the Proposed Bonus Issue of Shares prior to the implementation of the Proposed Free Warrants Issue. In this regard, the Company will announce the Warrants Entitlement Date after completion of the Proposed Bonus Issue of Shares.

The basis and number of Warrants to be issued were determined after taking into consideration, among others, the following:

- (i) the potential dilutive effect on Sersol's losses/ earnings per Share; and
- (ii) the number of new Sersol Shares arising from the exercise or conversion of all outstanding convertible equity securities* must not exceed 50% of the Company's total number of issued shares (excluding treasury shares and before the exercise of convertible equity securities*) at all times, in compliance with Rule 6.51 of the Listing Requirements. Please refer to **Section 7.1, Note (6)** of this Circular for the illustration on compliance with Rule 6.51 of the Listing Requirements.

Note:

* "convertible equity securities" shall mean warrants and convertible preference shares, as defined in Rule 6.50(2) of the Listing Requirements.

As at the LPD, save for the Warrants A, the Company does not have any other convertible equity securities.

For illustrative purpose, the enlarged number of Shares under the Minimum Scenario and Maximum Scenario of the Proposals are as follows:

	Minimum Scenario	Maximum Scenario
	No. of Shares	No. of Shares
Enlarged number of issued Shares after the Proposed Bonus Issue of Shares	540,150,000	823,344,375
Assuming full exercise of the Warrants B	108,030,000	164,668,875
Enlarged number of issued Shares after the Proposals	648,180,000	988,013,250

The actual number of Warrants B to be issued pursuant to the Proposed Free Warrants Issue will depend on the total number of issued Shares as at the Warrants Entitlement Date.

Fractional entitlements arising from the Proposed Free Warrants Issue, if any, will be disregarded and/ or dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient and in the best interest of the Company.

The Proposed Free Warrants Issue is not intended to be implemented in stages over a period of time.

3.2 Salient terms of the Warrants B

The Warrants B shall have a tenure of 5 years at an exercise price to be determined later. The Warrants B will be issued in registered form and constituted by the provisions of the Deed Poll B. The salient terms of the Warrants B are set out in **Appendix I** of this Circular.

3.3 Basis and justification of the issue price and exercise price of the Warrants B

The Warrants B will be issued at no cost to the Warrants Entitled Shareholders.

The exercise price of the Warrants B shall be determined by the Board at a later date after obtaining all relevant approvals but prior to the Warrants Entitlement Date. The Board in determining the exercise price of the Warrants B will take into consideration, among others, the following:

- (i) the Warrants B will be issued at no cost to the Warrants Entitled Shareholders;
- (ii) the Warrants B are exercisable at any time during the tenure of 5 years commencing on the date of issuance of the Warrants B; and
- (iii) the TE BP of Sersol Shares calculated based on the 5-day VWAP prior to the price-fixing date, with a discount of not more than 20%. The abovementioned discount range will allow the Board to fix the exercise price of the Warrants B at a sufficiently attractive price to incentivise Warrant B holders to exercise the Warrants B and increase their equity participation in the Company.

For illustrative purpose, the exercise price of Warrants B is assumed to be at RM0.18 each, which represents a discount of RM0.0368 or 16.97% to the TE BP of RM0.2168 each, calculated based on the 5-day VWAP of Sersol Shares up to and including the LPD of RM0.4065.

The Board wishes to emphasise that the assumed exercise price of Warrants B of RM0.18 each should not be taken as an indication of or reference to the actual exercise price of the Warrants B, which will be determined and announced on the price-fixing date.

3.4 Ranking of the Warrants B and the new Shares to be issued arising from the exercise of Warrants B

The holders of the Warrants B will not be entitled to any voting rights or participation in any form of dividends, distributions and/ or offer of securities in Sersol until and unless such holders of the Warrants B exercise their Warrants B into new Sersol Shares.

The new Shares to be issued arising from the exercise of the Warrants B shall, upon allotment and issuance, carry the same rights with the then existing Sersol Shares. However, such new Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid to the Company's shareholders unless such new Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions.

3.5 Listing and quotation of the Warrants B and new Shares to be issued pursuant to the exercise of the Warrants B

The Warrants B and new Shares to be issued pursuant to the exercise of the Warrants B will be listed on the ACE Market of Bursa Securities. Bursa Securities had, vide its letter dated 27 April 2022, granted its approval for, among others, the admission of the Warrants B to the Official List of the ACE Market of Bursa Securities as well as the listing of and quotation for the Warrants B and new Sersol Shares to be issued pursuant to the exercise of the Warrants B on the ACE Market of Bursa Securities. Further information is set out in **Section 8** of this Circular.

4. UTILISATION OF PROCEEDS

The issuance of Bonus Shares and Warrants pursuant to the Proposals are not expected to raise funds immediately as the Bonus Shares and Warrants B will be issued at no cost to the Company's shareholders.

Nevertheless, as and when the Warrants B are exercised, the exact quantum of proceeds that may be raised by Sersol will depend upon the exercise price and actual number of Warrants B exercised during the tenure of the Warrants B. As such, the breakdown for the utilisation of the proceeds are not determinable at this juncture. The Company expects to utilise the proceeds raised from the exercise of Warrants B within 36 months from the date of receipt of the proceeds. For illustrative purposes only, the gross proceeds to be raised upon the full exercise of the Warrants B based on the assumed exercise price of RM0.18 each, is set out below:

	Minimum Scenario	Maximum Scenario
No. of Warrants B	108,030,000	164,668,875
Total gross proceeds to be raised assuming full exercise of Warrants B (RM)	19,445,400	29,640,398

The Company intends to utilise the proceeds arising from the exercise of the Warrants B, if any, for the working capital of the Group. The proceeds to be raised from the exercise of the Warrants B will be utilised to finance the Group's day-to-day operations, including the payment to trade creditors for the purchase of raw materials comprising mainly resin and solvent as well as defrayment of operational and administrative expenses (e.g., staff costs, rental expenses, upkeep and maintenance expenses of machineries and equipment, utilities and general office expenses). The allocation of proceeds to be utilised for each component of working capital are subject to the Group's operational requirements at the time of utilisation. As such, the detailed allocation can only be determined by the Board at a later date.

Pending utilisation of the proceeds to be raised as and when the Warrants B are exercised, the proceeds may be placed in deposits with licensed financial institutions and/ or short-term money market instruments. The interest derived from the deposits with licensed financial institutions and/ or any gains arising from the short-term money market instruments will be used as additional funds for the working capital requirements (i.e., staff costs, rental expenses, upkeep and maintenance expenses of machineries and equipment, utilities and general office expenses) of the Group. The allocation and breakdown of each component of working capital can only be determined later subject to, among others, the amount of interest income earned and the Group's working capital requirements at the time of utilisation.

4.1 Equity fund raising exercise undertaken by the Company in the past 12 months up to the LPD

On 20 May 2021, on behalf of the Board, TA Securities announced that the Company proposed to undertake the Private Placements.

On 24 June 2021, 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 Private Placement I; and
- (ii) up to 65,398,000 Placement Shares to be issued pursuant to the Private Placement II.

The shareholders of Sersol had on 29 July 2021 approved the Private Placement II.

On 9 December 2021, on behalf of the Board, TA Securities submitted an application to Bursa Securities seeking its approval for a time extension of 6 months until 23 June 2022 for the Company to complete the implementation of the Private Placement I. On 3 January 2022, Bursa Securities granted the Company an extension of time until 23 June 2022 for the Company to complete the implementation of the Private Placement I.

In respect of Private Placement II, TA Securities had on behalf of the Board submitted 3 applications of extension of time for the Company to complete the implementation of the Private Placement II. The last application of extension of time was submitted on 31 January 2022 to Bursa Securities seeking its approval for a time extension of up to 7 April 2022 for the Company to complete the implementation of the Private Placement II. On 1 March 2022, Bursa Securities granted the Company an extension of time until 7 April 2022 for the Company to complete the implementation of the Private Placement II. The Private Placement II was completed on 5 April 2022.

As at the LPD, Sersol has allotted and issued 47,929,000 Placement Shares pursuant to the Private Placements raising gross proceeds of RM15.56 million, as summarised below:

	Notes	Number of Placement Shares	Gross proceeds raised (RM'000)
Private Placement I	(a)	-	-
Private Placement II	(b)	47,929,000	15,565
Total		47,929,000	15,565

(a) Private Placement I

As at the LPD, the Company has not issued any Placement Shares under the Private Placement I. The Company intends to renew the general mandate for Private Placement I and is seeking its shareholders' approval for the private placement of up to 20% of the total number of issued Shares (excluding treasury shares), under the general mandate pursuant to Section 76 of the Act, at its Nineteenth (19th) Annual General Meeting to be held before the EGM on 17 June 2022.

The maximum number of Placement Shares to be issued under the Private Placement I is computed as follows:

		No. of Shares
Number of issued Sersol Shares as at the LPD		288,080,000
Minus:		
- Placement Shares issued under Private Placement II		(47,929,000)
		240,151,000
Assume full exercise of the following convertible securities before implementation of the Private Placement I:		
- Warrants A		85,769,000
- Outstanding SIS Options		70,000
[A]		325,990,000
Assuming 20% general mandate	20% X [A]	Up to 65,198,000

Based on the placement of up to 65,198,000 Placement Shares at an assumed issue price of RM0.37 per Placement Share, the gross proceeds from the Private Placement I are expected to be utilised by the Group as follows:

Description	(RM'000)	Expected time frame for the use of proceeds (from the date of listing of the Placement Shares)
Purchase of machineries and equipment ⁽¹⁾	460	Within 36 months
Payment to trade creditors ⁽²⁾	1,678	Within 36 months
Investment in R&D activities ⁽³⁾	563	Within 36 months
Working capital ⁽⁴⁾	21,282	Within 36 months
Expenses for the implementation of Private Placement I ⁽⁵⁾	140	Immediately
Total	24,123	

Notes:

The details of the utilisation of proceeds for Private Placement I are to be considered collectively with Private Placement II.

- (1) Please refer to **Section 4.1(b), Note (1)** of this Circular, for further details.
- (2) Please refer to **Section 4.1(b), Note (2)** of this Circular, for further details.
- (3) Please refer to **Section 4.1(b), Note (3)** of this Circular, for further details.
- (4) The Group intends to utilise up to RM21.28 million of the proceeds for its working capital in the following manner:

Working capital	Percentage allocation
Purchase of raw materials (e.g. resin and solvent)	60.00
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))	40.00
Total	100.00

- (5) Consisting of mainly placement fees and other ancillary expenses. Any surplus or shortfall to the amount allocated for the expenses for the Private Placement I will be adjusted against the amount allocated for/ from the working capital of the Group of which the exact breakdown is not determinable at this juncture.

(b) Private Placement II

As at the LPD, the Company has completed the Private Placement II and allotted and issued 47,929,000 Placement Shares raising gross proceeds of RM15.56 million, as summarised below:

Tranche	Date of Listing	Issue price per Placement Share (RM)	Number of Placement Shares	Gross proceeds raised (RM'000)
1	23 December 2021	0.3240	10,000,000	3,240
2	5 January 2022	0.3250	10,000,000	3,250
3	22 March 2022	0.3230	10,000,000	3,230
4	5 April 2022	0.3260	17,929,000	5,845
Total			47,929,000	15,565

As at the LPD, the status of the utilisation of proceeds from the Private Placement II by the Group is as follows:

Description	Proceeds raised (RM'000)	Actual utilisation (RM'000)	Balance unutilised (RM'000)	Expected time frame for the use of proceeds (from the date of listing of the Placement Shares)
Purchase of machineries and equipment ⁽¹⁾	390	26	364	Within 36 months
Payment to trade creditors ⁽²⁾	1,322	621	701	Within 36 months
Investment in R&D activities ⁽³⁾	437	-	437	Within 36 months
Working capital ⁽⁴⁾	13,216	10,247	2,969	Within 36 months
Expenses relating to the Private Placements ⁽⁵⁾	200	193	7	Immediately
Total	15,565	11,087	4,478	

Notes:

- (1) As set out in Section 2.5 of the circular to shareholders of the Company dated 30 June 2021 in relation to the Private Placement II ("**Previous Circular**"), the Company intends to purchase platform-type high speed coating mixer machine with mixing tank, semi auto volumetric filling machine, top/ bottom tape sealing machine, screen and control panel replacement, ultraviolet (UV) curing system, temperature and humidity chamber, spectrophotometer, compressor and industrial forklift. The new machineries and equipment are to replace the existing machineries as majority of the Group's machineries had already gone beyond its life cycle and more prone to malfunction which will incur additional cost to the Group for the upkeep and purchase of spare parts.

As at the LPD, the Group has utilised RM0.03 million for the purchase of 1 unit of compressor and has finalised discussion with the vendor on the specification and price of industrial forklift. The Company expects that the industrial forklift will be delivered to the Group in 3rd quarter 2022. The Company intends to purchase the remaining machineries within 36 months from the date of the listing of the Placement Shares after taking into consideration among others, the timing to finalise the discussion with the vendors and the timing to receive the funds to be raised from the Private Placement I.

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 the Group.

- (2) As at the LPD, the Group has utilised RM0.62 million for the payment to trade creditors. As at 31 December 2021, the Group's trade payables stood at RM2.07 million and the Group's average trade payables turnover period is 73 days, computed based on the following formula:

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

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

- (3) As at the LPD, the Group has not utilised any of the proceeds raised for the investment in R&D activities.

As set out in Section 2.5 of the Previous Circular, the Company has earmarked up to RM1.00 million of the proceeds from the Private Placements to enhance its R&D activities as set out below:

	(RM'000)
Staff costs (e.g. salaries and statutory contribution) in hiring senior chemist, junior chemist and lab assistant	850
Purchase of R&D materials (e.g. resins, additives and dispersing agents)	150
Total	1,000

The Group's R&D activities were intended to develop one-component water-based plastic coating, two-component water-based plastic coating as well as water-based ultra-violet plastic coating.

As at the LPD, the Group's R&D team consists of 2 chemists and 2 lab assistants. The Group has commenced its R&D activities in September 2021. The Group intends to hire additional staff (e.g., 1 senior chemist, 1 junior chemist and 1 lab assistant) by June 2022 to cater for the R&D activities. As at the LPD, the Group has commenced recruitment process for the additional hires.

The Group expects the R&D activities to complete in December 2024 and subsequently offer these coatings to new and existing customers (primarily in the electrical and electronic industry).

Any shortfall in proceeds for the investment in R&D activities will be funded via internally-generated funds, bank borrowings and/ or will be adjusted against the proceeds allocated for the working capital of the Group.

- (4) As at the LPD, the Group has utilised RM10.25 million of the proceeds raised for its working capital in the following manner:

Working capital	(RM'000)
Purchase of raw materials (e.g. resin and solvent)	6,148
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))	4,099
Total	10,247

The Group intends to utilise the remaining RM2.97 million of the proceeds raised for its working capital in the following manner:

Working capital	Percentage allocation
Purchase of raw materials (e.g. resin and solvent)	60.00
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))	40.00
Total	100.00

- (5) The actual utilisation comprises the expenses relating to Private Placement I and Private Placement II. The remaining RM7,000 is to be utilised for other ancillary expenses for the Private Placement II or be adjusted against the proceeds allocated for the working capital of the Group.

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Bonus Issue of Shares

After due consideration, the Board is of the view that the Proposed Bonus Issue of Shares is the most appropriate avenue of rewarding the existing shareholders of the Company as the Proposed Bonus Issue of Shares will:

- (i) provide the Company's shareholders with greater participation in the equity of the Company in terms of number of Sersol Shares held while maintaining their percentage of equity interest in the Company;
- (ii) potentially improve the trading liquidity of Sersol Shares on Bursa Securities in view of the increase in the number of Sersol Shares in circulation in the open market and adjusted share price after the completion of the Proposed Bonus Issue of Shares; and
- (iii) attract greater participation of a broader range of investors with the increase in the number of Sersol Shares.

5.2 Proposed Free Warrants Issue

The Proposed Free Warrants Issue is intended to:

- (i) enable the Company's shareholders to participate in convertible securities of the Company which are issued at no cost to them and are tradable on the ACE Market of Bursa Securities;

- (ii) strengthen the Group's capital base and shareholders' funds as well as potentially provide funds for the Group to finance its working capital requirements as and when the Warrants B are exercised without incurring interest cost, as compared to the bank borrowings;
- (iii) provide the existing shareholders of the Company with an opportunity to increase their equity in the Company at a predetermined price during the tenure of the Warrants B; and
- (iv) allow the existing shareholders of the Company to benefit from any potential capital appreciation of the Warrants B.

6. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

Based on the Company's latest annual report for the FYE 2021, Sersol Group's primary geographical markets are Malaysia and Thailand contributing 70.56% and 29.44%, respectively to the Group's revenue. As such, the Company has set out below the overview and outlook of the Malaysian and Thailand economies.

The Group generates revenue mainly from plastic and metal coatings for the electrical and electronics ("E&E") industry which contributed approximately 60.25% to the Group's revenue in FYE 2021. As such, the outlook of the painting and coating markets as well as E&E industry are set out in the following sections.

6.1 Overview and outlook of the economies of Malaysia and Thailand

Malaysian economy

In 2021, the Malaysian economy rebounded by 3.1% (2020: -5.6%), mainly supported by a turnaround in private sector spending. The recovery momentum, however, was affected by the imposition of containment measures during the year. These include the Second Movement Control Order (MCO 2.0) in January 2021 and the National Recovery Plan ("NRP") in June 2021. Nevertheless, less restrictive restrictions compared to 2020 as well as better adjustments to the new norm, improved compliance to the standard operating procedures ("SOPs") and rapid vaccination progress had minimised the adverse impact on households and businesses. The gradual improvement in income and labour market conditions during the year had provided support to household spending. Meanwhile, investment activity benefitted from continued capital spending, particularly by private firms in the export-oriented sectors. Importantly, policy support remained available for impacted households and businesses. On the external front, the robust exports performance was driven by the rebound in world growth and trade activity, lifted further by the global technology upcycle. However, net exports contracted, as import growth outpaced the growth in exports.

(Source: Economic, Monetary and Financial Developments in 2021, Economic & Monetary Review, Bank Negara Malaysia)

Developments surrounding COVID-19 remain key in influencing Malaysia's growth trajectory in 2022, particularly in the shift towards a more calibrated and proportionate approach to managing the domestic epidemic situation. After enduring the COVID-19 pandemic for two years, the Government, businesses, and healthcare system are now more adept at managing the spread of the virus. Under the National COVID-19 Immunisation Programme, Malaysia has achieved high vaccination rates and swiftly rolled out booster doses, which has helped to lower hospitalisations and severity of infections. As of 24 March 2022, 97.5% of Malaysia's adult population had been fully vaccinated, while 66.2% had received booster shots. Vaccines are also being rolled out to adolescents aged 12 to 17 (91.5% fully vaccinated), and children aged 5 to 11 (36.1% received first dose). The promising recent discoveries of antiviral drugs and

treatments for severe COVID-19 cases would also contribute to lowering hospitalisations and deaths due to infections going forward. Therefore, where capacity of the national healthcare system remains sufficient, the Government has reaffirmed its position to avoid impositions of nationwide lockdowns and strict containment measures. Significant resurgences of COVID-19 cases could, however, impact economic activity through other channels. High absenteeism rates, for example, resulting from workers having to take medical leave and undergo quarantines may impact productivity, while cautious sentiments may suppress mobility and consumer spending. Nevertheless, measures taken to contain future outbreaks would balance national health considerations while minimising adverse impacts on livelihoods and the economy.

The Malaysian economy is expected to improve further, with growth projected to be between 5.3% and 6.3% in 2022. The economic recovery is underpinned by the continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and further improvement in labour market conditions. In addition, the implementation of investment projects and targeted policy measures will provide further support to economic activity and aggregate demand.

(Source: Outlook and Policy in 2022, Economic & Monetary Review, Bank Negara Malaysia)

The Malaysian economy grew by 5.0% in the first quarter of 2022 (Q4 2021: 3.6%). Growth was supported mainly by higher domestic demand as economic activity continued to normalise with the easing of containment measures. The improvement also reflects the recovery in the labour market and continued policy support. In addition, strong external demand, amid the continued upcycle in global technology, provided a further lift to growth. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 3.9% (Q4 2021: 4.6%).

(Source: Macroeconomic Outlook, Quarterly Bulletin First Quarter 2022, Bank Negara Malaysia)

Thailand economy

Gross Domestic Product (“GDP”) in the first quarter of 2022 increased by 2.2%, following a rise of 1.8% in the fourth quarter of 2021. The expansion was from acceleration in the agricultural sector and the gradual increase in the non-agricultural sector, led by a rise in the service sector, resulting from the government’s economic stimulus measures causing recovery of various economic activities and the relaxation of travel restrictions both domestically and internationally. Meanwhile, the industrial sector decelerated.

(Source: Gross Domestic Product: Q1/2022, Office of the National Economic and Social Development Council)

The Thai economy in 2021 grew by 1.5%, recovering from a decline of 6.2% in 2020. The Thai economy in 2022 is projected to expand in the range of 2.5% - 3.5%, mainly supported by: (i) the regaining in domestic demand; (ii) the recovery of domestic tourism; (iii) the continual expansion of export of goods. Export value of goods in US dollar terms is anticipated to expand by 7.3%. Meanwhile, private consumption expenditure and private investment are expected to increase by 3.9% and 3.5%, respectively. Public investment is projected to increase by 3.4%. Headline inflation is estimated to be in the range of 4.2% – 5.2% and the current account is projected to record a deficit of 1.5% of GDP.

(Source: Thai Economic Performance in Q1 of 2022 and Outlook for 2022, Office of the National Economic and Social Development Council)

6.2 Overview and outlook of the paintings and coatings market

The global paints and coatings market size was USD145.15 billion in 2020. The global paints and coatings market size was valued at USD160.03 billion in 2021, exhibited a growth of approximately 10.25% in 2021. The global paints and coatings market is projected at USD167.04 billion in 2022, with a projected growth of approximately 4.38% in 2022.

The global paints and coatings market is projected to grow from USD167.04 billion in 2022 to USD235.06 billion by 2029, at a compound annual growth rate (“CAGR”) of 5% during 2022-2019. The global COVID-19 pandemic has been unprecedented and staggering, with experiencing lower-than-anticipated demand across all regions compared to pre-pandemic levels. The global market exhibited a decline of -6.3% in 2020 as compared to 2019.

Paints and coatings are widely used in the construction, automotive & transportation, and wood industries. They have a major application in the building and construction industry, where they are used to protect the structures from any external damage. Also, the product is used in various applications in decorating residential and non-residential infrastructure & buildings, industrial equipment, automobile & marine, industrial wood, and others.

(Source: <https://www.fortunebusinessinsights.com/industry-reports/paints-and-coatings-market-101947>)

The 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. Premised on the encouraging outlook as set out above, the Board is cautiously optimistic for the demand of its products (i.e., coatings, thinners and industrial chemicals) for the FYE 2022 after having considered other relevant aspects, including the expected growth of the Malaysian and Thailand economies as well as the paintings and coatings market amid recovery from the COVID-19 pandemic.

6.3 Overview and outlook of the E&E industry

Malaysia

The E&E industry in Malaysia is the catalytic sector that cuts across various other industries and has been a major contributor to the manufacturing sector. In 2020, the E&E industry contributed 6.4% to GDP, valued at RM86.1 billion. From 2016 to 2020, the E&E industry grew at 5.6% per annum, slightly higher than the manufacturing sector growth of 3.3% per annum. In addition, the E&E subsector dominated the country's exports with total exports share accounting to 45.6% or RM386.1 billion in 2020. A total of 577 E&E projects with investments of RM71.4 billion were approved between 2016 and 2020.

During the Twelfth Malaysia Plan, the E&E industry players will be encouraged to adopt advanced technologies and produce more sophisticated products, resulting in higher productivity and growth. The E&E industry needs to be repositioned by boosting investments in high value activities such as design and development (“D&D”) and front-end manufacturing. In this regard, efforts will be focused on strengthening manufacturing ecosystems, promoting new technology adoption, uplifting the development of talent as well as enhancing R&D and D&D activities. By 2025, the E&E industry is targeted to contribute RM120 billion to GDP and generate RM495 billion in export earnings.

(Source: *Twelfth Malaysia Plan 2021-2025, A Prosperous, Inclusive, Sustainable Malaysia, Economic Planning Unit*)

The manufacturing sector expanded by 9.5% in 2021 (2020: -2.6%) as the recovery in global and domestic demand supported production activity. The overall effect of global supply chain disruptions on production activity was partly mitigated as manufacturers were able to implement measures to cushion the impact. This included building inventory buffers, negotiating with clients to spread orders, paying for expedite fees and using alternative modes of transportation to avoid shipment delays. For the year as a whole, growth was mainly driven by the expansion in E&E, primary, and consumer-related clusters. Aided by structural shifts towards digitalisation, the E&E sector recorded a robust growth of 14.6% in 2021 (average: 2010-2019: 6.4%) driven by strong demand for products associated with remote working, e-commerce, cloud-based services, and medical devices. In addition, E&E firms' ability to adapt to SOPs and the highly automated nature of many large semiconductor firms lessened the impact of operating restrictions imposed during the NRP, enabling firms to continuously meet demand. Meanwhile, production in the primary sector benefited from pandemic-induced demand (e.g. rubber gloves and pharmaceuticals) while the consumer-related cluster (e.g. food and beverages and passenger cars) was supported by improvement in domestic household spending and continued fiscal support (e.g. Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan (PEMERKASA+), extended sales and service tax (SST) exemption on passenger cars).

(Source: Economic, Monetary and Financial Developments 2021, Economic & Monetary Review, Bank Negara Malaysia)

The manufacturing sector is projected to expand at 5.2% in 2022. While growth in the manufacturing sector is projected to increase at a more moderate pace, it will still be above the long-term average. Malaysia's E&E cluster, which is highly integrated in global value chains, will benefit from continued demand for E&E products globally. Additionally, E&E growth will be further reinforced by ongoing expansions in domestic production capacity. In the Bank's regional economic surveillance, E&E firms indicated strong order books for the year. The primary-related cluster is also projected to expand.

(Source: Outlook and Policy in 2022, Economic & Monetary Review, Bank Negara Malaysia)

The manufacturing sector grew by 6.6% in Q1 2022 (Q4 2021: 9.1%). Export-oriented industries increased more moderately as the strong growth in the E&E cluster was partially weighed by lower growth in the primary-related cluster. The double-digit growth recorded in the E&E cluster was driven by robust demand for semiconductors amid technological developments such as 5G, cloud computing, and the Internet of Things. However, growth in the primary-related cluster moderated as the production of selected pandemic-induced products such as rubber gloves began to normalise. Meanwhile, domestic-oriented industries recovered further post-containment measures. The consumer cluster continued to expand, particularly in the motor vehicle and transport equipment segment as carmakers ramped up production to meet the backlog of orders. Demand for construction materials, such as metals, fabricated metals, and non-metallic minerals, also continued to grow, following the smaller contraction in construction activity.

(Source: Developments in the Malaysian Economy, Quarterly Bulletin First Quarter 2022, Bank Negara Malaysia)

Thailand

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 International Monetary Fund (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: "Industry Outlook 2021-2023: Electronics",
<https://www.krungsri.com/en/research/industry/industry-outlook/Hi-tech-Industries/Electronics/IO/io-Electronics-21>)

In the first six months of 2021, the electrical appliances and electronics industry attracted the most investment among Thailand's target sectors with 77 projects worth 61 billion baht (USD1.8 billion), a value 136% higher than in the year earlier period. E&E represented 15.8% of the combined value of investments pledged from January to June during that period, according to data the BOI released in mid-August.

The value of E&E's applications in the first half of 2021 is higher than the 50.3 billion baht the sector saw in the whole 2020, when it represented 11.6% of total adjusted pledged value, and was already ahead of all other target sectors.

The recently approved enhanced investment promotion policy for the electronics industry adds benefits for front-end capital and technology-intensive manufacturing such as wafer fabrication, Integrated Circuit ("IC") substrate, IC and IC testing as well as large-scale mid-and back-end manufacturing. Investment in wafer manufacturing will be granted a corporate income tax ("CIT") exemption of 10 years, while advanced integrated circuits, IC substrate and printed circuit board projects with investment in machinery of at least 1.5 billion baht will get a CIT exemption of 8 years.

The strength of Thailand's supply chain is reflected in its exports of electronic components and equipment, the country's top export category, which reached USD31 billion in 2020. Thailand currently ranks 13th in the world as a base for electronic products and parts manufacturing. In the Printed Circuit Board (PCB) market alone, Thailand is the world's 7th largest exporter.

Thailand offers a large pool of human resources with 750,000 people currently working in Thailand's E&E sector, and the government is actively stepping up efforts in upskilling the workforce to support the rapidly changing technologies. Additional tax incentives are also offered to encourage companies to take part in human resource development.

In another step to stimulate competitiveness and technology upgrades in advanced manufacturing sectors, especially electronics, the BOI also approved in June an increase of the benefits granted to companies investing in research and development. Firms spending not less than 1% of their total sales for the first 3 years in R&D, or not less than 200 million baht, will receive an additional corporate income tax exemption for up to 5 years with no ceiling, the number of additional years depending on the amount of R&D investment. For companies adding R&D investment to the main operation, the longest combined tax exemption period available is 13 years.

(Source: "Thailand's new semiconductor incentives timed to support rising E&E Investment – Thailand Board of Investment",
<https://www.bangkokpost.com/business/2168579/thailands-new-semiconductor-incentives-timed-to-support-rising-ee-investment-%E2%80%93-thailand-board-of-investment>)

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Manufacturing sector increased by 1.9% in Q1 2022, decelerating from a 3.8% expansion in Q4 2021. The average capacity utilization rate stood at 66.35% for Q1 2022, higher than 64.51% in the previous quarter and 66.32% in the same quarter of the previous year. Manufacturing production index with positive growth included refined petroleum product (14.1%), motor vehicles (3.0%), electronic components and boards (7.3%), sugar (10.4%), and malt and malt liquors (22.8%). Manufacturing production index with negative growth included computer and peripheral equipment (-13.0%), basic iron and steel (-9.4%), articles of concrete, cement, and plaster (-4.7%), other general-purpose machinery (-6.7%), and prepared animal feeds (-4.9%).

(Source: Thai Economic Performance in Q1 of 2022 and Outlook for 2022, Office of the National Economic and Social Development Council)

The Group generates revenue mainly from plastic and metal coatings for E&E industry which contributed approximately 60.25% to the Group's revenue in FYE 2021. Premised on the positive outlook as set out above, the Board is cautiously optimistic for the demand of its services from E&E industry for the FYE 2022 after having considered other relevant aspects, including the global economic recovery from the COVID-19 pandemic, the effort of Malaysia's government in strengthening manufacturing ecosystems, promoting new technology adoption, uplifting the development of talent, enhancing R&D and D&D activities as well as Thailand's recent semiconductor incentives timed to support rising E&E investment.

6.4 Prospects and future plans of the Group

The 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. The Group has built its customer base from manufacturers, agencies and distributors in Malaysia and Thailand in the E&E, retail, housing and property development sectors throughout its 20 years of industry experience. The Group mainly generates its revenue from the plastic and metal coatings segment which are sold to the electronic and electrical industry. In FYE 2021, plastic and metal coatings segment accounts for approximately 60.25% of the Group's revenue.

The sales of coatings, thinners and industrial chemical products had been challenging for the 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 increased the Group's manufacturing cost. The recent COVID-19 pandemic has also disrupted many business operations globally. Notwithstanding the challenging business environment, the management of the Group will monitor closely the progress of the COVID-19 outbreak as part of its efforts to mitigate the impact on its businesses and intends to introduce suitable measures such as continuous monitoring of sales activities, manufacturing cost as well as product delivery activities to maximise the Group's manufacturing efficiency.

While the outbreak of COVID-19 pandemic continues to evolve, the Board believes that the economic outlook will continue to gradually improve on the back of various government initiatives. The Group endeavours to continue with or execute the strategies as set out in **Section 6.4.1** of this Circular to improve the financial condition of the Group.

6.4.1 Steps undertaken or to be undertaken by the Group to improve its financial position

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

(i) Cost optimisation to improve financial condition

The Group has been continuously monitoring its cost and cash flow management, maintaining its presence in the market and improving on its product delivery and customer satisfaction. The Group made efforts to reduce costs and expenses through optimising the allocation of current human resources from 64 staffs as at FYE 2016 to 52 staffs as at the LPD.

The Group regularly reviews and monitors its manufacturing efficiency through the following:

- (a) inventory management in keeping adequate amount of raw materials, thereby reducing the risk of loss, decay, and damage of raw materials such as resin and solvent. This is done through inventory forecasting, inventory levels monitoring to ensure inventory amount is at a predetermined minimum level and place orders at times needed through sales trend analysis; and
- (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.

In addition, up to RM0.85 million of the proceeds to be raised from the Private Placements have been earmarked for the purchase of new machineries and equipment to replace the existing machineries as majority of its machineries had already gone beyond their life cycles and are more prone to malfunction which will incur additional cost to the 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 the LPD, the Group has 67 units of machineries (i.e., 34 units for production and 33 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, the 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.

To further improve its financial performance, the Group will continue to adopt effective cost rationalisation exercises to control the Group’s day-to-day operational expenses via regular monitoring of its cost structure to eliminate unnecessary expenses as well as to take measures to reduce staff related expenses (e.g., wages and other emoluments through optimising the allocation of human resources), office and administrative expenses (e.g., reduce paper printing, where possible, eliminate travel, replace trips with phone calls, emails, and video meetings as well as save energy consumption by switching off electrical appliances (such as lights) when not in use) for its operations by reviewing operational expenditure on a regular basis to determine any potential avenue for cost reduction.

(ii) R&D activities

The current paint and coating industry face continuous challenges to apply sophisticated technology to achieve environmental friendly and

durable coatings. The Board anticipates that environmental 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.

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, the Group has also received requests from the Company’s existing customers to offer water-based coatings.

Currently, the Group’s plastic and metal coatings are oil-based. With the on-going global shift to produce more environmentally friendly products, the Company has identified water-based coatings as another product offering to the Company’s existing customers as well as to capitalise on the future demand and growth of water-based coatings. In regards to this, the Group has commenced its R&D activities to develop water-based coatings in September 2021 and expects the R&D activities to complete in December 2024 and subsequently offer these coatings to new and existing customers (primarily in the electrical and electronic industry).

The Group has earmarked up to RM1.00 million of the proceeds to be raised from the Private Placements for investment in R&D activities on water-based coatings. Any shortfall in proceeds for the investment in R&D activities will be funded via internally generated funds, bank borrowings and/ or will be adjusted against the proceeds from the Private Placements allocated for the working capital of the Group. Further details on the status of utilisation of the proceeds raised for the investment in R&D activities are set out in **Section 4.1** of this Circular.

(iii) Venture into new business activities/ opportunities

The Group took initiatives to explore other businesses which will potentially provide an additional source of income to the Group:

- (a) On 1 October 2021, Sersol Energy Sdn Bhd (“**SESB**”), a wholly-owned subsidiary of the Company entered into a Memorandum of Understanding (“**MOU**”) with Aeroleum Sdn Bhd (“**ASB**”) and Silicon Designs (M) Sdn Bhd (“**SDMSB**”) with the intent to collaborate to produce greener and cleaner fuel for Malaysia using a proprietary technology known as Nano Activated Fuel Technology (“**NAFT**”). The MOU will expire 6 months from the MOU date (i.e., 1 October 2021) (“**Expiry Date**”) and may be further extended by mutual agreement by the parties. As at the LPD, the Company is in the midst of negotiation with the other parties for the extension of time of the Expiry Date (“**Extension of Time**”). The Company expects to finalise and sign the Heads of Agreement within 3 months after obtaining the concurrence for the Extension of Time from other parties. The Company will make the appropriate announcements on any material developments in respect to the above-mentioned MOU pursuant to the Listing Requirements, if required.

- (b) On 8 October 2021, Sersol E-Solutions Sdn Bhd (“**SESSB**”), a wholly-owned subsidiary of the Company entered into a MOU with Dronology Sdn. Bhd. (“**DSB**”) with the intent to establish synergy in the development of a viable and sustainable business model and marketing program to commercially promote the products and services of DSB. DSB is principally involved in designing and manufacturing advanced unmanned systems such as unmanned aerial vehicle, unmanned ground vehicle and unmanned surface vehicles, most commonly known as drones. The MOU is valid for a period of 1 year commencing from 8 October 2021 and may be further extended by mutual agreement by the parties. As at the LPD, there is no material development on the status of the MOU. The Company will make the appropriate announcements on any material developments in respect to the above-mentioned MOU pursuant to the Listing Requirements, if required.
- (c) On 17 January 2022, the Company entered into a heads of agreement (“**HOA**”) with SMTrack Berhad, Country Heights Holding Berhad, Jiankun International Berhad, Techna-X Berhad, MQ Technologies Berhad, AHB Holdings Berhad and 5G Infra Tech Solution Sdn. Bhd. (“**5G Infra Tech**”) to invest through redeemable convertible preference shares (“**RCPS**”) in 5G Infra Tech (“**Investment in 5G Infra Tech**”). The conditional period of the HOA is for a period of 3 months from the HOA date (i.e., 17 January 2022) (“**Conditional Period**”) or such other extended date as may be mutually agreed upon by the parties. As at the LPD, the parties are in the midst of negotiation for the extension of time of the Conditional Period. The Company will make the appropriate announcements on any material developments in respect to the above-mentioned HOA pursuant to the Listing Requirements, if required.

Premised on the above and barring any unforeseen circumstances, the Board is cautiously optimistic the Group’s prospects for the FYE 2022 after having considered all relevant aspects, including the economic and industry outlook, global economic recovery from the COVID-19 pandemic with the emergence of Omicron variant of COVID-19 as well as the transition to normalcy as herd immunity from COVID-19 would happen gradually. Notwithstanding the above, the Group will continue developing its business through diligent strategy implementation, sustainability and improved R&D, while focusing on operational excellence and cost discipline.

(Source: Management of Sersol)

6.4.2 Impact of the Proposed Free Warrants Issue and value creation to the Group

The Proposed Free Warrants Issue, which is to be issued on a pro-rata basis, is not expected to raise funds immediately and/ or on a “lump-sum” basis as the Warrants B will be issued at no cost to the Warrants Entitled Shareholders. However, as and when the Warrants B are exercised during the tenure of the Warrants of 5 years, the Proposed Free Warrants Issue will enable the Group to raise additional funds for working capital without relying solely on internally generated funds and/ or bank borrowings. Thus, such utilisation is expected to provide the Group flexibility in respect of financial allocations for its operational requirements, which in turn may enable the Group to operate more efficiently.

The Proposed Free Warrants Issue also serves to enable the existing shareholders to participate in a convertible security of the Company which are issued at no cost to them and are tradable on the ACE Market of Bursa Securities. In addition, the Proposed Free Warrants Issue provides the shareholders an opportunity to increase their equity participation in Sersol by exercising the Warrants B at a pre-determined price over the tenure of the Warrants B. In the event the shareholders exercise the Warrants B into new Sersol Shares, the shareholders may also benefit from capital gain in the event of share price appreciation.

Notwithstanding the above, there will be a corresponding dilution in Sersol's consolidated EPS/ LPS as a result of the increase in the number of Shares arising from the Proposed Free Warrants Issue (when the Warrants B are exercised). The potential effect of the Proposed Free Warrants Issue on the future earnings and EPS/ LPS of the Group will depend upon, among others, the number of Shares issued pursuant to the exercise of Warrants B at any point in time and the potential benefits from the utilisation of the proceeds. The effects of the Proposed Free Warrants Issue on the Company's share capital, consolidated net assets and gearing, consolidated earnings and EPS/ LPS and substantial shareholders' shareholding are set out in **Section 7** of this Circular.

Furthermore, the potential funds to be raised from the exercise of Warrants B will enable the Group to tap into the equity market to raise funds without incurring interest cost as opposed to bank borrowings, thereby minimising any potential cash outflow in respect of interest servicing costs and principal repayments thus preserving the Group's cash flow and may potentially enhance the Company's shareholders' value.

6.4.3 Adequacy of the Proposed Free Warrants Issue in addressing the financial concerns of the Group

As set out in **Section 3.3** of this Circular, in determining the exercise price of the Warrants B, the Board intends to fix the exercise price of the Warrants B at a discount of not more than 20% to the TEBP of Shares calculated based on the 5-day VWAP prior to the price fixing date. This discount was determined after taking into consideration that the discount range will allow the Board to fix the exercise price of the Warrants B at a sufficiently attractive price to incentivise Warrant B holders to exercise the Warrants B and increase their equity participation in the Company.

The Board takes cognisance that the Proposed Free Warrants Issue is not expected to raise funds immediately and/ or on a "lump-sum" basis as the Warrants B will be issued at no cost to the Company's shareholders. However, the potential funds to be raised from the exercise of Warrants B (if any) would be used as the Group's additional working capital, as set out in **Section 4** of this Circular. As such, the Board is of the view the Proposed Free Warrants Issue is one of the avenues of fund raising in future (if the Warrants B are exercised), which will contribute to the Group's future financial requirements.

There is no assurance that all the Warrants B will be fully exercised throughout the tenure of the Warrants B. Nevertheless, the Board will continue to evaluate the Group's financial performance as well as the on-going COVID-19 pandemic moving forward, and will consider undertaking future corporate exercises should the need/ opportunity arises. As set out in **Section 6.4.1** above, the Company is also taking steps to improve the Group's financial performance and strengthen its financial position.

7. EFFECTS OF THE PROPOSALS

For illustrative purposes, the pro forma effects of the Proposals are based on the following scenarios:

7.1 Share capital

The pro forma effects of the Proposals on the share capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario ⁽⁶⁾	
	No. of Shares	Share capital (RM)	No. of Shares	Share capital (RM)
Share capital as at the LPD	288,080,000	34,401,551	288,080,000	34,401,551
Assume full exercise of the following convertible securities:				
- Warrants A	-	-	85,769,000	⁽¹⁾ 15,438,420
- Outstanding SIS Options	-	-	70,000	⁽²⁾ 20,300
Issuance of Placement Shares under Private Placement I	-	-	65,198,000	⁽³⁾ 24,123,260
Issuance of Bonus Shares	288,080,000	34,401,551	439,117,000	73,983,531
	252,070,000	-	384,227,375	-
New Shares to be issued assuming full exercise of the Warrants A ⁽⁴⁾⁽⁶⁾	540,150,000	34,401,551	823,344,375	73,983,531
New Shares to be issued assuming full exercise of the Outstanding SIS Options ⁽⁵⁾	160,816,875	16,081,688	-	-
	131,250	19,688	-	-
New Shares to be issued assuming full exercise of Warrants B ⁽⁶⁾	108,030,000	⁽⁷⁾ 19,445,400	164,668,875	⁽⁷⁾ 29,640,398
Enlarged share capital	809,128,125	69,948,327	988,013,250	103,623,929

Notes:

- (1) Based on the exercise price of RM0.18 per Warrant A.
- (2) Assuming all the 70,000 outstanding SIS Options as at the LPD are exercised into new Shares at an exercise price of RM0.29 per SIS Option.
- (3) Based on the assumed issue price of RM0.37 (being 8.98% discount to the 5-day VWAP of Sersol Shares up to the LPD of RM0.4065) for each Placement Share under Private Placement I.
- (4) Assuming total of 160,816,875 Warrants A (including the 75,047,875 Adjustment Warrants A) are exercised at the adjusted exercise price of RM0.10 per Warrant A arising from the adjustments to the outstanding Warrants A pursuant to the Proposed Bonus Issue of Shares as set out in **Section 7.5.1(i)** of this Circular.

(5) Assuming total of 131,250 SIS Options (including the 61,250 Adjustment SIS Options) are exercised at the adjusted exercise price of RM0.15 per SIS Option arising from the adjustments to the outstanding SIS Options pursuant to the Proposed Bonus Issue of Shares as set out in **Section 7.5.1(ii)** of this Circular.

(6) The Proposals will not result in non-compliance with Rule 6.51 of the Listing Requirements as shown below:

	Minimum Scenario	Maximum Scenario
	No. of Shares	No. of Shares
Enlarged number of issued Shares after issuance of Bonus Shares [A]	540,150,000	823,344,375
Convertible equity securities:		
- Number of Warrants A (including the Adjustment Warrants A)	160,816,875	-
- Number of Warrants B	108,030,000	164,668,875
Sub-total [B]	268,846,875	164,668,875
[B] / [A]	49.80%	20.00%

(7) Assuming Warrants B are fully exercised at the assumed exercise price of RM0.18 each.

(8) The maximum number of Bonus Shares, Adjustment Warrants A and Warrants B to be issued as well as new Sersol Shares to be issued pursuant to the exercise of the Adjustment Warrants A and Warrants B, based on information as at (i) 5 April 2022 (being the latest practicable date prior to the submission of the application in relation to the Proposals to Bursa Securities ("**Submission LPD**"); and (ii) LPD (being the latest practicable date prior to the printing of this Circular), are as follows:

	As at the Submission LPD ^(b)		As at the LPD	
	Minimum scenario	Maximum scenario	Minimum scenario	Maximum scenario
Number of issued Shares	287,795,800	287,795,800	288,080,000	288,080,000
Assume full exercise of the following convertible securities:				
- Warrants A	-	86,053,200	-	85,769,000
- Outstanding SIS Options	-	1,070,000	-	70,000
Issuance of Placement Shares under Private Placement I	-	65,398,000	-	65,198,000
Issuance of Bonus Shares	287,795,800	440,317,000	288,080,000	439,117,000
	251,821,325	385,277,375	252,070,000	384,227,375
	539,617,125	825,594,375	540,150,000	823,344,375
New Shares to be issued assuming full exercise of the Warrants A (including the Adjustment Warrants A)	161,349,750 ^(a)	-	160,816,875	-
New Shares to be issued assuming full exercise of Warrants B	107,923,425	165,118,875	108,030,000	164,668,875

Notes:

- (a) Assuming total of 161,349,750 Warrants A (including the 75,296,550 Adjustment Warrants A) are exercised into new Sersol Shares.
- As at the Submission LPD, the Company had 86,053,200 outstanding Warrants A. For illustrative purposes only, assuming none of the 86,053,200 outstanding Warrants A as at the Submission LPD are exercised prior to the Bonus Shares Entitlement Date, the adjustments to the outstanding Warrants A under the Minimum Scenario pursuant to the Proposed Bonus Issue of Shares will entail issuance of 75,296,550 Adjustment Warrants A).
- (b) The number of Bonus Shares, Adjustment Warrants A and Warrants B as set out above reconciles to the approval of Bursa Securities dated 27 April 2022 (which was announced on 28 April 2022) for the:
- listing and quotation of up to 385,277,375 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
 - listing and quotation of up to 75,296,550 Adjustment Warrants A to be issued pursuant to the adjustment arising from the Proposed Bonus Issue of Shares;
 - listing and quotation of up to 75,296,550 new Sersol Shares to be issued pursuant to the exercise of the Adjustment Warrants A;
 - admission to the Official List and listing and quotation of up to 165,118,875 Warrants B to be issued pursuant to the Proposed Free Warrants Issue; and
 - listing and quotation of up to 165,118,875 new Sersol Shares to be issued arising from the exercise of the Warrants B, on the ACE Market of Bursa Securities.

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Listing date	No. of Warrants A exercised into new Shares
18 February 2022	255,000
4 March 2022	68,000
21 March 2022	166,700
25 March 2022	370,000
1 April 2022	168,800
5 April 2022	50,000
18 April 2022	109,200
25 April 2022	55,000
28 April 2022	120,000
Total	4,271,400

- (ii) Placement of 37,929,000 Placement Shares. Further details of the Private Placements (including the issue prices and listing dates for different tranches of Placement Shares) are set out in **Section 4.1** of this Circular.
- (2) Taking into account the estimated expenses of RM0.08 million for the Private Placement II.
- (3) After deducting estimated expenses of RM0.41 million in relation to the Proposals.
- (4) Assuming:
- (i) a total of 160,816,875 Warrants A (including the 75,047,875 Adjustment Warrants A) are exercised at the adjusted exercise price of RM0.10 per Warrant A arising from the adjustments to the outstanding Warrants A pursuant to the Proposed Bonus Issue of Shares;
- (ii) a total of 131,250 SIS Options (including the 61,250 Adjustment SIS Options) are exercised at the adjusted exercise price of RM0.15 per SIS Option arising from the adjustments to the outstanding SIS Options pursuant to the Proposed Bonus Issue of Shares;
- (iii) 108,030,000 Warrants B are exercised at the assumed exercise price of RM0.18 each.

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Maximum Scenario

	Audited as at 31 December 2021 (RM'000)	(I) After subsequent events up to the LPD (RM'000)	(II) After (I) and assuming full exercise of the outstanding Convertible Securities (RM'000)	(III) After (II) and placement of the remaining Placement Shares (RM'000)	(IV) After (III) and the Proposed Bonus Issue of Shares (RM'000)	(V) After (IV) and the Proposed Free Warrants Issue (RM'000)	(VI) After (V) and assuming full exercise of Warrants B (RM'000)
Share capital	21,308	(1)34,402	(3)49,860	(4)73,984	73,984	73,984	(7)103,624
Revaluation reserve	3,080	3,080	3,080	3,080	3,080	3,080	3,080
Foreign exchange translation reserve	100	100	100	100	100	100	100
Accumulated losses	(2,102)	(2)2,180	(2,180)	(5)(2,320)	(6)(2,730)	(2,730)	(2,730)
Total equity / NA	22,386	35,402	50,860	74,844	74,434	74,434	104,074
No. of Shares in issue ('000)	245,880	288,080	373,919	439,117	823,344	823,344	988,013
NA per Share (RM)	0.09	0.12	0.14	0.17	0.09	0.09	0.11
Total borrowings (RM'000)	63	63	63	63	63	63	63
Gearing (times)	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible

Notes:

(1) After accounting for the following:

(i) 4,271,400 Warrants A are exercised into new Shares at the exercise price of RM0.18 per Warrant A. Further details (including the listing dates and breakdown of the number of Warrants A exercised) are set out in Note (1) of the Minimum Scenario under Section 7.2 of this Circular; and

(ii) Placement of 37,929,000 Placement Shares. Further details of the Private Placements (including the issue prices and listing dates for different tranches of Placement Shares) are set out in Section 4.1 of this Circular.

(2) Taking into account the estimated expenses of RM0.08 million for the Private Placement II.

(3) Assuming:

(i) all the outstanding 85,769,000 Warrants A as at the LPD are exercised into new Shares at the exercise price of RM0.18 per Warrant A; and

(ii) all the 70,000 outstanding SIS Options as at the LPD are exercised into new Shares at an exercise price of RM0.29 per SIS Option.

- (4) *After accounting for the placement of up to 65,198,000 Placement Shares at an assumed issue price of RM0.37 (being 8.98% discount to the 5-day VWAP of Sersol Shares up to the LPD of RM0.4065) for each Placement Share under Private Placement I.*
- (5) *Taking into account the estimated expenses of RM0.14 million for the placement of the 65,198,000 Placement Shares under Private Placement I.*
- (6) *After deducting estimated expenses of RM0.41 million in relation to the Proposals.*
- (7) *Assuming 164,668,875 Warrants B are exercised at the assumed exercise price of RM0.18 each.*

7.3 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of the Group for the FYE 2022. However, there will be a corresponding dilution in Sersol's consolidated EPS/ LPS as a result of the increase in the number of Shares arising from the Proposed Bonus Issue of Shares and the Proposed Free Warrants Issue (when the Warrants are exercised).

The potential effect of the Proposed Free Warrants Issue on the future earnings and EPS/ LPS of the Group will depend upon, amongst others, the number of Shares issued pursuant to the exercise of Warrants at any point in time and the potential benefits from the utilisation of the proceeds. Although the EPS/ LPS shall be correspondingly diluted as a result of the increase in the number of Shares upon the exercise of the Warrants, the Proposed Free Warrants Issue is expected to contribute positively to the Company's earnings thereafter through the utilisation of proceeds.

7.4 Substantial shareholder's shareholdings

The pro forma effects of the Proposals on the substantial shareholder's shareholdings in the Company based on the register of substantial shareholders of the Company as at the LPD are as follows:

Minimum Scenario

	(i)				(ii)							
	As at the LPD				After the Proposals				After (i) and assuming full exercise of the Convertible Securities and Warrants B			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
No. of Shares ('000)	(¹)%	No. of Shares ('000)	(¹)%	No. of Shares ('000)	(²)%	No. of Shares ('000)	(²)%	No. of Shares ('000)	(³)%	No. of Shares ('000)	(³)%	
Substantial shareholder Datuk Justin Lim Hwa Tat	50,000	17.36	-	-	93,750	17.36	-	-	112,500	13.90	-	-

Notes:

- (1) Based on the issued share capital of 288,080,000 Sersol Shares as at the LPD.
- (2) Based on the enlarged issued share capital of 540,150,000 Sersol Shares.
- (3) Based on the enlarged issued share capital of 809,128,125 Sersol Shares. As at the LPD, Datuk Justin Lim Hwa Tat does not hold any Warrants A and SIS Options.

Maximum Scenario

	As at the LPD				(I)				(II)			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	(1)%	No. of Shares ('000)	(1)%	No. of Shares ('000)	(2)%	No. of Shares ('000)	(2)%	No. of Shares ('000)	(3)%	No. of Shares ('000)	(3)%
Substantial shareholder Datuk Justin Lim Hwa Tat	50,000	17.36	-	-	50,000	13.37	-	-	50,000	11.39	-	-

	After (II) and the Proposals				(III)				(IV)			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	(4)%	No. of Shares ('000)	(4)%	No. of Shares ('000)	(5)%	No. of Shares ('000)	(5)%	No. of Shares ('000)	(5)%	No. of Shares ('000)	(5)%
Substantial shareholder Datuk Justin Lim Hwa Tat	93,750	11.39	-	-	112,500	11.39	-	-	112,500	11.39	-	-

Notes:

- (1) Based on the issued share capital of 288,080,000 Sersol Shares as at the LPD. As at the LPD, Datuk Justin Lim Hwa Tat does not hold any Warrants A and SIS Options.
- (2) Based on the enlarged issued share capital of 373,919,000 Sersol Shares.
- (3) Based on the enlarged issued share capital of 439,117,000 Sersol Shares.
- (4) Based on the enlarged issued share capital of 823,344,375 Sersol Shares.
- (5) Based on the enlarged issued share capital of 988,013,250 Sersol Shares.

7.5 Convertible securities

As at the LPD, save for the Warrants A and SIS Options, the Company does not have any other outstanding convertible securities.

7.5.1 Proposed Bonus Issue of Shares

(i) Adjustments to the number and exercise price of outstanding Warrants A

The Proposed Bonus Issue of Shares will give rise to adjustments to the number and exercise price of outstanding Warrants A in accordance with the provisions of the Deed Poll A. Such adjustments will only be finalised on the Bonus Shares Entitlement Date and will be effective on the next market day after the Bonus Shares Entitlement Date. The details of such adjustments will be notified to the holders of the Warrants A in accordance with the Deed Poll A.

For illustrative purposes only, assuming the 85,769,000 outstanding Warrants A as at the LPD are not exercised prior to the Bonus Shares Entitlement Date, the adjustments to the outstanding Warrants A under the Minimum Scenario pursuant to the Proposed Bonus Issue of Shares are as follows:

Adjustment to the number of outstanding Warrants A

$$\begin{aligned}\text{Adjusted number of} \\ \text{outstanding Warrants A} &= \frac{B}{A} \times W \\ &= \frac{540,150,000}{288,080,000} \times 85,769,000 \\ &= \mathbf{160,816,875}\end{aligned}$$

where:

A	=	Aggregate number of issued Sersol Shares immediately before the Proposed Bonus Issue of Shares
B	=	Aggregate number of issued Sersol Shares immediately after the Proposed Bonus Issue of Shares
W	=	Number of outstanding Warrants A

Adjustment to the exercise price of the outstanding Warrants A

$$\begin{aligned}\text{Adjusted exercise price} &= \frac{A}{B} \times Z \\ &= \frac{288,080,000}{540,150,000} \times \text{RM0.18} \\ &= \text{RM0.0960} \\ &= \mathbf{RM0.10 \text{ (rounded up to the nearest 1 Sen)}}\end{aligned}$$

where:

A	=	Aggregate number of issued Sersol Shares immediately before the Proposed Bonus Issue of Shares
B	=	Aggregate number of issued Sersol Shares immediately after the Proposed Bonus Issue of Shares
Z	=	Existing exercise price of Warrants A

Premised on the above, the illustrative adjustments to Warrants A are summarised below:

	Before Adjustments	After Adjustments
No. of Warrants A	85,769,000 [A]	160,816,875 [B]
Exercise price of Warrants A (RM)	0.18	0.10

$$\begin{aligned}
 \text{Adjustment Warrants A} &= [B] - [A] \\
 &= 160,816,875 - 85,769,000 \\
 &= \underline{\underline{75,047,875}}
 \end{aligned}$$

(ii) **Adjustments to the number and exercise price of outstanding SIS Options**

The Proposed Bonus Issue of Shares will give rise to adjustments to the number and exercise price of SIS Options in accordance with the provisions of the By-Laws. Such adjustments will only be finalised on the Bonus Shares Entitlement Date and will be effective on the next market day after the Bonus Shares Entitlement Date. The details of such adjustments will be notified to the holders of the SIS Options in accordance with the By-Laws.

For illustrative purposes only, assuming the 70,000 outstanding SIS Options as at the LPD are not exercised prior to the Bonus Shares Entitlement Date, the adjustments to the outstanding SIS Options under the Minimum Scenario pursuant to the Proposed Bonus Issue of Shares are as follows:

Adjustment to the number of outstanding SIS Options

Adjusted number of outstanding SIS Options	=	$\frac{A + B}{A}$	x	T
	=	$\frac{288,080,000 + 252,070,000}{288,080,000}$	x	70,000
	=	<u>131,250</u>		

where:

A	=	Aggregate number of issued and fully-paid up Shares immediately before the Proposed Bonus Issue of Shares
B	=	Aggregate number of issued Shares to be issued pursuant to allotment to shareholders of the Company credited as fully paid-up by way of bonus issue
T	=	Existing number of Shares relating to SIS Options

Adjustment to the exercise price of the outstanding SIS Options

Adjusted exercise price	=	$\frac{A}{A + B}$	x	Z
	=	$\frac{288,080,000}{288,080,000 + 252,070,000}$	x	RM0.29
	=	RM0.1547		
	=	<u>RM0.15 (rounded down to the nearest 1 Sen)</u>		

where:

A	=	Aggregate number of issued and fully-paid up Shares immediately before the Proposed Bonus Issue of Shares
B	=	Aggregate number of Shares to be issued pursuant to allotment to shareholders of the Company credited as fully paid-up by way of bonus issue
Z	=	Existing exercise price of outstanding SIS Options

Premised on the above, the illustrative adjustments to the existing SIS Options are summarised below:

	Before Adjustments	After Adjustments
No. of SIS Options	70,000 [A]	131,250 [B]
Exercise price of SIS Options (RM)	0.29	0.15

$$\begin{aligned}
 \text{Adjustment SIS Options} &= [B] - [A] \\
 &= 131,250 - 70,000 \\
 &= \mathbf{61,250}
 \end{aligned}$$

7.5.2 Proposed Free Warrants Issue

The Board confirmed that the Proposed Free Warrants Issue will not give rise to any adjustments to the exercise price and/ or number of outstanding Warrants A and SIS Options held by holders of the Warrants A and SIS Options, respectively, pursuant to the provisions of the Deed Poll A and By-Laws, respectively.

8. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:

- (i) the approval of Bursa Securities for the:
 - (a) listing and quotation of up to 385,277,375 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
 - (b) listing and quotation of up to 75,296,550 Adjustment Warrants A to be issued pursuant to the adjustment arising from the Proposed Bonus Issue of Shares;
 - (c) listing and quotation of up to 75,296,550 new Sersol Shares to be issued pursuant to the exercise of the Adjustment Warrants A;
 - (d) admission to the Official List and listing and quotation of up to 165,118,875 Warrants B to be issued pursuant to the Proposed Free Warrants Issue; and
 - (e) listing and quotation of up to 165,118,875 new Shares to be issued arising from the exercise of the Warrants B,

on the ACE Market of Bursa Securities.

The approval has been given by Bursa Securities in its letter dated 27 April 2022 subject to, amongst others, the following conditions:

	Conditions	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 Proposed Bonus Issue of Shares and Proposed Free Warrants Issue;	Noted
(b)	Sersol and TA Securities to inform Bursa Securities upon the completion of the Proposed Bonus Issue of Shares and Proposed Free Warrants Issue respectively;	To be complied
(c)	Sersol and TA Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue of Shares and Proposed Free Warrants Issue are completed;	To be complied
(d)	in relation to the Proposed Bonus Issue of Shares, Sersol and TA Securities are required to make the relevant announcements pursuant to Rules 6.36(2)(a)&(b) and 6.36(4) of the Listing Requirements; and	To be complied
(e)	in relation to the Proposed Free Warrants Issue, Sersol to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants B as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

- (ii) the approval of shareholders at the forthcoming EGM to be convened for the Proposals; and
- (iii) the approvals / consents of any other relevant authorities and/ or parties, if required.

The Proposed Bonus Issue of Shares is not conditional upon the Proposed Free Warrants and vice versa.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company including the Private Placement I.

9. CORPORATE EXERCISE/ SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Private Placement I and the Proposals, the Board confirms that the Company does not have any other outstanding corporate exercise/ scheme which has been announced by the Company but is pending implementation or completion prior to the printing of this Circular. Further details of the Private Placement I are set out in **Section 4.1** of this Circular.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE COMPANY AND/ OR PERSONS CONNECTED WITH THEM

None of the Company's Directors, major shareholders, chief executive and/ or persons connected with them has any interest, direct or indirect, in the Proposals other than their respective entitlements under the Proposals as shareholders of the Company, to which all Bonus Shares Entitled Shareholders and Warrants Entitled Shareholders are similarly entitled to.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposals including, the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals is expected to be completed by the 3rd quarter of 2022. The tentative timetable for the Proposals is as follows:

Events	Tentative timeline
• EGM for the Proposals	17 June 2022
• Announcement of the Bonus Shares Entitlement Date	By End June 2022
• Bonus Shares Entitlement Date	By Mid July 2022
• Listing of the Bonus Shares and completion of the Proposed Bonus Issue of Shares	By Mid July 2022
• Announcement of the Warrants Entitlement Date	By Mid July 2022
• Warrants Entitlement Date	By End July 2022
• Listing of Warrants and completion of the Proposed Free Warrants	By Early August 2022

13. EGM

The EGM, the notice which is set out in this Circular, will be conducted virtually from the Broadcast Venue at 10.3, 10th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 17 June 2022, 12.00 p.m., or at any adjournment thereof, or immediately after the conclusion of the Company's Nineteenth Annual General Meeting scheduled to be held on the same day at 11.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Proxy Form at Sersol's Poll Administrator's office, Aldpro Corporate Services Sdn. Bhd., at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof. The lodgment of the Proxy Form shall not preclude you from attending and voting at the EGM should you subsequently wish to do so and in such event, your Proxy Form shall be deemed to have been revoked.

14. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board
SERSOL BERHAD

DATUK JUSTIN LIM HWA TAT
Managing Director

SALIENT TERMS OF THE WARRANTS

The indicative salient terms of the Warrants B are set out as follows:

Terms	Details
Issue size	: Up to 164,668,875 Warrants B
Form and constitution	: The Warrants B will be issued in registered form and constituted by the Deed Poll to be executed by the Company.
Tenure	: 5 years commencing from and including of the date of issuance of the Warrants B (" Issue Date ")
Expiry date	: The day preceding the fifth (5 th) anniversary of the Issue Date and if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day (" Expiry Date ")
Exercise price	: The exercise price of the Warrants B (" Exercise Price ") shall be determined by the Board at a later date after obtaining the relevant approvals but prior to the Warrants Entitlement Date. The Exercise Price and/ or the number of Warrants B in issue during the exercise period shall however be subject to adjustments under circumstances prescribed in accordance with the terms and provisions of the Deed Poll B.
Exercise period	: The period commencing on and including the Issue Date and ending at 5.00 p.m. on the Expiry Date (" Exercise Period "). Any Warrant B not exercised by the Expiry Date (as defined herein) will thereafter lapse and cease to be valid for any purpose.
Mode of exercise	: A Warrant B holder is required to lodge an exercise form with the Company's share registrar which is duly completed, signed and stamped together with payment by way of banker's draft or cashier's order or money order or postal order drawn on a bank or post office operating in Malaysia or by way of interbank transfer for the credit of an account maintained by the Company for the amount equal to the Exercise Price payable when exercising their Warrants B to subscribe for new Shares. The payment of such fee must be made in Ringgit Malaysia.
Exercise rights	: Each Warrant B shall entitle the Warrant B holder to subscribe for 1 new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll B.
Board lot	: For the purposes of trading on Bursa Securities, a board lot for the Warrants B shall be 100 Warrants B or such other denominations as permitted by any relevant authorities.
Adjustment in the exercise price and/ or number of Warrants B	: The Exercise Price and/ or number of Warrants B may be adjusted by the Board in consultation with an approved adviser appointed by the Company or the auditors of the Company in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants B, whether by way of capitalisation issue, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the terms and conditions of the Deed Poll B.

SALIENT TERMS OF WARRANTS (Cont'd)

Terms	Details
Rights of the Warrant B Holders in the event of winding-up, liquidation, compromise or arrangement	<p>: Where a resolution has been passed for a members' voluntary winding-up of the Company, or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:</p> <p>(i) for the purposes of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant B holders, or some persons designated by them for such purposes by a special resolution of the Warrants B holders, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrant B holders; and</p> <p>(ii) in the event a notice is given by the Company to its shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, and in any other case and subject always to the provisions of Deed Poll B, every Warrant B holder shall thereupon be entitled to exercise his Warrants B at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement, whereupon the Company shall allot the relevant new Shares to the Warrant B holder credited as fully paid subject to the prevailing laws, and such Warrant B holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if the Warrant holder had on such date been the holder of the new Shares to which the Warrant B holder would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the aforesaid 6 weeks, all exercise rights shall lapse and cease to be valid for any purpose.</p>
Modifications of rights of the Warrant B holders	<p>: Subject to the provisions of the Deed Poll B, no amendment or addition may be made to the provisions of Deed Poll B without the sanction of a special resolution of the Warrants B holders unless the amendments or additions are required to correct any manifest errors or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of the Company, will not be materially prejudicial to the interests of the Warrant B holders.</p>
Transferability	<p>: The Warrants B shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.</p>
Listing	<p>: The Warrants B will be listed on the ACE Market of Bursa Securities.</p>
Governing law	<p>: The laws of Malaysia.</p>

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT AND CONFLICT OF INTEREST

TA Securities, being the 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, manner and context in which they appear in this Circular. TA Securities has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Adviser for the Proposals.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board confirmed that there are no proceeding pending or threatened against the Group or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of the 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**"), a wholly-owned subsidiary of Sersol 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.

(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 3(i) above), MSSB appealed to the High Court of Kuala Lumpur vide a notice of appeal dated 23 April 2021.

FURTHER INFORMATION (Cont'd)

The matter is fixed for hearing on 26 July 2022 at the High Court of Kuala Lumpur.

The solicitors-in-charge for the above suit, Messrs. Ringo Low & Associates, is of the view that there is an even chance for MSSB in succeeding this matter.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**4.1 Material commitments**

As at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group.

4.2 Contingent liabilities

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

5. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Sersol Shares as traded on Bursa Securities for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
<u>2021</u>		
May	0.450	0.225
June	0.360	0.255
July	0.620	0.265
August	0.590	0.400
September	0.535	0.405
October	0.490	0.425
November	0.465	0.405
December	0.420	0.400
<u>2022</u>		
January	0.600	0.400
February	0.465	0.400
March	0.445	0.375
April	0.415	0.385

Last transacted market price on 21 March 2022 (being the last trading date prior to the announcement of the Previous Proposals) was RM0.415 per Sersol Share.

Last transacted market price on 11 April 2022 (being the last trading date prior to the announcement of the Proposals) was RM0.405 per Sersol Share.

Last transacted market price on 29 April 2022 (being the LPD prior to the printing of this Circular) was RM0.40 per Sersol Share.

(Source: Bloomberg)

FURTHER INFORMATION (Cont'd)

6. HISTORICAL FINANCIAL INFORMATION OF SERSOL GROUP

The summary of key financial information of Sersol Group for the FYE(s) 2019, 2020 and 2021 are as follows:

	Audited			
	FYE			
	2018	2019	2020	2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	18,016	17,871	20,298	15,568
(Loss)/ Profit before tax ("LBT"/ "PBT")	(729)	(640)	394	(1,795)
(Loss)/ Profit after tax ("LAT"/ "PAT")	(767)	(658)	201	(1,803)
Share capital	28,786	12,786	12,786	21,308
Shareholders' funds/ NA attributable to the owners of the Company	16,155	15,623	15,788	22,386
Number of Shares in issue ('000)	215,349	215,349	215,349	245,880
Weighted average number of Shares in issue ('000)	215,349	215,349	215,349	223,715
Net assets per Share (RM)	0.08	0.07	0.07	0.09
Basic (losses)/ earnings per Shares (sen) ⁽¹⁾	(0.36)	(0.31)	0.09	(0.81)
Current assets	12,733	12,822	13,677	19,560
Current liabilities	3,098	3,783	3,850	2,692
Current ratio (times)	4.11	3.39	3.55	7.27

(Source: Sersol's annual reports for the financial years under review.)

Note:

- (1) Calculated based on profit/ (loss) for the financial year over weighted average number of Shares in issue.

Financial commentary

(i) FYE 2021 compared to FYE 2020

The Group's revenue decreased by RM4.73 million (23.33%) to RM15.57 million for the FYE 2021 (FYE 2020: RM20.30 million) mainly due to (i) absence of revenue contribution from trading of decorative paint and building materials for the FYE 2021 as the Group discontinued the sales of these products (FYE 2020: RM6.30 million); and (ii) lockdowns which occurred in both Malaysia and Thailand during third quarter of 2021.

The Group recorded a LAT of RM1.80 million for the FYE 2021 as compared to a PAT of RM0.20 million for the FYE 2020 mainly due to:

- (a) decrease in the Group's gross profit by RM1.50 million (33.89%) to RM2.91 million for the FYE 2021 (gross profit margin of 18.72%) from RM4.41 million for the FYE 2020 (gross profit margin of 21.72%) in line with the decrease in revenue. The lower GP margin was mainly attributable to impairment of stocks of RM1.65 million; and

FURTHER INFORMATION (Cont'd)

- (b) decrease in net gain on impairment of financial assets by RM0.39 million (99.49%) to RM2,144 for the FYE 2021 from RM0.39 million for the FYE 2020. The higher net gain on impairment of financial assets for the FYE 2020 was mainly due to a reversal of provision for doubtful debts of RM0.39 million as the amount has been fully collected in the FYE 2020.

(ii) FYE 2020 vs FYE 2019

The Group's revenue increased by RM2.43 million (13.58%) to RM20.30 million for the FYE 2020 (FYE 2019: RM17.87 million) mainly due to higher revenue contributed by the Group's general trading in the others segment (such as trading of building materials) of RM6.21 million in the FYE 2020 (FYE 2019: RM3.57 million) attributable to increased sales from the Group's recurring local customer which was newly secured in 2019.

The Group recorded a PAT of RM0.20 million for the FYE 2020 as compared to a LAT of RM0.66 million for the FYE 2019 mainly due to:

- (a) higher revenue in the FYE 2020; and
- (b) decrease in administrative expenses by RM0.54 million (17.15%) to RM2.59 million for the FYE 2020 from RM3.13 million for the FYE 2019, mainly due to impairment of trade receivables of RM0.36 million in FYE 2019.

(iii) FYE 2019 vs FYE 2018

The Group's revenue decreased by RM0.15 million (0.80%) to RM17.87 million for the FYE 2019 (FYE 2018: RM18.02 million). The decrease in revenue was mainly due to lower contribution from the Group's Thailand business segment of RM3.73 million in the FYE 2019 (FYE 2018: RM5.31 million) which was attributable to lower sales for coating and manufacturing segment of RM15.89 million (FYE 2018: RM18.98 million) due to weak economic environment which affected the painting and coating market. The Group's lower revenue was partially off-set by the higher revenue from the Group's Malaysia business segment of RM14.14 million in the FYE 2019 (FYE 2018: RM12.70 million) as a result of revenue generated from the trading of building materials.

Despite lower revenue, the Group's LAT decreased by RM0.11 million (14.21%) to RM0.66 million for the FYE 2019 (FYE 2018: RM0.77 million) mainly due to:

- (a) decrease in administrative expenses by RM0.31 million to RM3.13 million for the FYE 2019 (FYE 2018: RM3.44 million) as a result of lower inventories written down (FYE 2019: RM740; FYE 2018: RM0.41 million); and
- (b) decrease in selling and distribution expenses by RM0.52 million (19.69%) to RM2.11 million for the FYE 2019 (FYE 2018: RM2.63 million) mainly due to lower selling and distribution expenses from Multi Square Sdn Bhd and Sersol Marketing Sdn Bhd in FYE 2019 due to lower sales volume from the coating and manufacturing segment of the Group's Malaysian business segment.

FURTHER INFORMATION (Cont'd)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's Registered Office at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur during normal business hours from 8.30 a.m. to 5.30 p.m. Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) the Company's Constitution;
- (ii) the audited consolidated financial statements of the Company for the FYE 2020 and FYE 2021;
- (iii) the letter of consent and conflict of interest as referred to in **Section 2** above;
- (iv) the relevant cause papers in respect of the material litigation as referred in **Section 3** above; and
- (v) the draft Deed Poll B in relation to the Proposed Free Warrants Issue.

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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 (“**EGM**”) of Sersol Berhad (“**Sersol**” or “**Company**”) will be conducted virtually from the Broadcast Venue at 10.3, 10th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 17 June 2022, 12.00 p.m., or at any adjournment thereof, or immediately after the conclusion of the Company’s Nineteenth Annual General Meeting scheduled to be held on the same day at 11.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing the resolutions below with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED BONUS ISSUE OF UP TO 384,227,375 NEW ORDINARY SHARES IN SERSOL (“SERSOL SHARE(S)” OR “SHARE(S)”) (“BONUS SHARE(S)”) ON THE BASIS OF 7 BONUS SHARES FOR EVERY 8 EXISTING SERSOL SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED BONUS ISSUE OF SHARES”)

“THAT subject to the approvals of all relevant authorities or parties being obtained, the Board of Directors of the Company (“**Board**”) be and is hereby authorised to allot and issue up to 384,227,375 Bonus Shares by way of a bonus issue to the shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business at 5.00 p.m. on a day to be determined and announced later (“**Bonus Shares Entitled Shareholders**”) on the basis of 7 Bonus Shares for every 8 existing Sersol Shares held by Bonus Shares Entitled Shareholders;

THAT the Bonus Shares shall be issued as fully paid Shares at no consideration and without any capitalisation of the Company’s reserves;

THAT the Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing Sersol Shares;

THAT the Board be and is hereby authorised to deal with fractional entitlements arising from the Proposed Bonus Issue of Shares, if any, including disregarding and/ or to be dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient and in the best interest of the Company;

AND THAT the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Bonus Issue of Shares with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or imposed by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as the Board may consider necessary or expedient to implement, finalise and give full effect to Proposed Bonus Issue of Shares.”

ORDINARY RESOLUTION 2

PROPOSED FREE WARRANTS ISSUE OF UP TO 164,668,875 FREE WARRANTS (“WARRANT(S)” OR “WARRANT(S) B”) ON THE BASIS OF 1 WARRANT FOR EVERY 5 EXISTING SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED FREE WARRANTS ISSUE”)

“THAT subject to the approvals of all relevant authorities or parties being obtained, where required, the Board be and is hereby authorised to allot and issue up to 164,668,875 Warrants B in registered form and constituted by a deed poll to be executed by the Company constituting the Warrants B (“**Deed Poll B**”), to the shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business at 5.00 p.m. on a day to be determined and announced later (“**Warrants Entitled Shareholders**”), on the basis of 1 Warrant for every 5 existing Shares held by the Warrants Entitled Shareholders;

THAT the Board be and is hereby authorised to fix the exercise price of the Warrants at a later date and that the Board be and is hereby authorised to allot and issue the new Sersol Shares arising from the exercise of the Warrants B by the holders of the Warrants B in accordance with the Deed Poll B and such new Sersol Shares shall, upon allotment and issuance, carry the same rights with the then existing Sersol Shares. However, such new Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid to the Company's shareholders unless such new Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions. The holders of the Warrants B will not be entitled to any voting rights or participation in any form of dividends, distributions and/ or offer of securities in Sersol until and unless such holders of the Warrants B exercise their Warrants B into new Sersol Shares;

THAT the Board be and is hereby authorised to deal with fractional entitlements arising from the Proposed Free Warrants Issue, if any, including disregarding and/ or to be dealt with by the Board in such manner as the Board in its absolute discretion deems fit and expedient and in the best interest of the Company;

THAT the proceeds arising from the exercise of the Warrants B, if any, be utilised for the purposes set out in the circular to the shareholders of the Company ("**Circular**") in relation to, among others, the Proposed Free Warrants Issue, and the Board be authorised with full power to vary the manner and /or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/ or expedient, subject to the approval of the relevant authorities, where required;

THAT approval be and is hereby given to the Board to allot and issue such appropriate number of Warrants in accordance with the provisions of the Deed Poll B, including any additional Warrants B as may be required or permitted to be issued as a consequence of any adjustments in accordance with the terms and conditions of the Deed Poll B and to adjust from time to time the exercise price and/ or number of the Warrants B to which the holder(s) of the Warrants B are entitled to be issued as a consequence of the adjustments under the provisions of the Deed Poll B and to issue and allot further new Shares as may be required or permitted to be issued pursuant to such adjustments and upon any exercise by the holders of such additional Warrants B;

THAT the Board be and is hereby authorised to finalise, enter into, execute and deliver for and on behalf of the Company, the Deed Poll B with full power to assent to any conditions, modifications, variations and/ or amendments as may be imposed or permitted by the relevant authorities or as may be deemed necessary by the Board, and to take all steps as the Board may deem fit or expedient in order to implement, finalise and give full effect to the Deed Poll B (including, without limitation, the affixing of the Company's common seal, where necessary);

AND THAT the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Free Warrants Issue with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or imposed by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all such acts and things in any manner as the Board may consider necessary or expedient to implement, finalise and give full effect to Proposed Free Warrants Issue."

BY ORDER OF THE BOARD

CHIN WAI YI (MAICSA 7069783) (SSM PC No. 202008004409)

Company Secretary
Kuala Lumpur

18 May 2022

NOTES:

1. The EGM of the Company will be conducted virtually from the Broadcast Venue at 10.3, 10th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 17 June 2022, 12.00 p.m., or at any adjournment thereof, or immediately after the conclusion of the Company's Nineteenth Annual General Meeting scheduled to be held on the same day at 11.00 a.m., whichever is later. Shareholders of the Company are required to register for the EGM virtually at <https://rebrand.ly/Sersol-EGM> not less than twenty-four (24) hours before the time appointed for holding the meeting or at any adjournment thereof. **(Please follow the procedures as stipulated in the Administrative Guide).**
2. A member of the Company who is entitled to attend, speak and vote at this EGM may appoint a proxy to attend, speak and vote on his(her) behalf. A proxy may but need not be a member of the Company, and a member may appoint any person to be his(her) proxy without limitation.
3. Where a member appoints more than one (1) proxy to attend and vote at the same EGM, the appointment shall be invalid unless he(she) specifies the proportion of his(her) holdings to be represented by each proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), he(she) may appoint one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said security account.
5. Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) 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.

An exempt authorised nominee refers to an authorised nominee defined under the SICDA who is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. The instrument appointing a proxy shall be in writing by the appointer or an attorney duly authorised in writing or, if the appointer is a corporation, whether under its seal or by an officer or attorney duly authorised.
7. The instrument appointing either a proxy, a power of attorney or other authorities, where it is signed or certified by a notary as a true copy shall be deposited with the Poll Administrator's office, Aldpro Corporate Services Sdn. Bhd., at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time appointed for holding the EGM or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.
8. The right of foreigners to vote in respect of deposited securities is subject to Sections 41(1)(e) and 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and the Constitution of the Company.
9. In respect of deposited securities, only members whose names appear in the Record of Depositors on 10 June 2022 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this EGM.
10. Any alteration in the Proxy Form must be initialed.
11. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of EGM will be put to the vote by poll.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclose of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**");
- (ii) warrants that the member has obtained the prior consent of such proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies), and/ or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.



SERSOL BERHAD

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

ADMINISTRATIVE GUIDE FOR THE FULLY VIRTUAL EXTRAORDINARY GENERAL MEETING (“EGM”)

- Date** : Friday, 17 June 2022
- Time** : 12.00 p.m. or at any adjournment thereof, or immediately after the conclusion or adjournment of the Nineteenth Annual General Meeting of the Company scheduled to be held on the same day at 11.00 a.m., whichever is later.
- Broadcast venue** : 10.3, 10th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia
- Remote Participation and Voting Facilities (“RPV Facilities”)** : <https://rebrand.ly/Sersol-EGM>

DIGITAL COPIES OF THE EGM DOCUMENTS

As part of our commitment to reduce paper usage, the following documents are available on our website at <https://www.sersol.com.my/> for your preview:

1. Circular
2. Notice of the EGM
3. Proxy Form

MODE OF MEETING

In view of the COVID-19 pandemic and the Company’s initiative to curb the spread of COVID-19, the EGM of the Company will be conducted virtually.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Members will not be allowed to be physically present at the EGM in person at the Broadcast Venue on the day of the meeting.

We strongly encourage you to participate in the fully virtual EGM via the RPV Facilities provided to exercise your right as a member of the Company to participate (including to pose questions to the Board of Directors and/or Management of the Company) and vote at the EGM. Alternatively, you may also appoint the Chairman of the meeting as your proxy to attend and vote on your behalf at the fully virtual EGM.

Kindly ensure that you are connected to the internet at all times to participate and vote when our fully virtual EGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the fully virtual EGM is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

RPV Facilities


The EGM will be conducted on a fully virtual basis and entirely via RPV Facilities. Should you wish to participate at the EGM you will be required to do so by registering yourself using the RPV Facilities in accordance with the instructions set out under online registration procedure as below.

SERSOL BERHAD

Registration No. 200201034397 (602062-X)

For corporate representatives / authorised nominees / exempt authorised nominees who wish to use the RPV Facilities at the fully virtual EGM, please ensure the duly executed Proxy Forms or the original certificate of appointment of its corporate representative are submitted/ deposited to Poll Administrator's office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia **not later than 15 June 2022 at 12.00 p.m.** Proxy(ies) holder which member/ members had submitted Proxy Form to the Poll Administrator are not required to register at the RPV Facilities, Mlabs Research Sdn Bhd will send an invitation email to you for participate at the fully virtual EGM.

ONLINE REGISTRATION PROCEDURE

Procedure		Action
Before the day of the EGM		
1.	Register as participant in virtual EGM 	<ul style="list-style-type: none"> a. Using your computer, access the registration website at https://rebrand.ly/Sersol-EGM b. Click on the Register link to register for the EGM session. c. If you are using mobile devices, you can also scan the QR provided on the left to access the registration page. Click Register and enter your email followed by Next to fill in your details to register for the EGM session. d. Upon submission of your registration, you will receive an email notifying you that your registration has been received and is pending verification. e. The event is powered by Cisco Webex. You are recommended to download and install Cisco Webex Meetings (available for PC, Mac, Android and iOS).
2.	Submit your online registration	<ul style="list-style-type: none"> a. Member/ Members who wish to participate and vote remotely at the EGM via RPV Facilities are required to register prior to the meeting. The registration for remote access will be opened from 9.00 a.m. on 19 May 2022 and please note that the closing time to submit your online registration is at 12.00 p.m. on 16 June 2022 (24 hours before the commencement of the EGM). b. Clicking on the link mentioned in item 1 will redirect you to the EGM event page. Click on the Register link for the online registration form. c. Complete your particulars in the registration page. Your name MUST match your CDS account name (not applicable for proxy). d. Insert your CDS account number(s) and indicate the number of shares you hold. e. Read and agree to the Terms & Conditions and confirm the Declarations. f. Please ensure all information given is accurate before you click Submit to register your remote participation. Failure to do so will result in your registration being rejected.
3.	Email notification	<ul style="list-style-type: none"> a. System will send an email to notify that your registration for remote participation is received and will be verified. b. Upon system verification against the General Meeting Record of Depositories as at 10 June 2022, you will receive an email from Mlabs Research Sdn Bhd approving your registration for remote participation together with the Meeting ID and your remote access user ID and password. You will also be notified in the event your registration is rejected. c. If your registration is rejected, you can contact the Company's Poll Administrator for clarifications or to appeal.
On the day of the EGM		
4.	Login to Meeting Platform	<ul style="list-style-type: none"> a. The Meeting Platform will be open for login one (1) hour before the commencement of the EGM. b. The Meeting Platform can be accessed via either one of the following: <ul style="list-style-type: none"> ➤ Scan the QR Code provided in the email notification; or ➤ Navigate to the website at https://rebrand.ly/Sersol-EGM

SERSOL BERHAD

Registration No. 200201034397 (602062-X)

Procedure		Action
		c. Insert the Meeting ID and sign in with the user ID and password provided to you via the email notification.
5.	Participate with live video	a. You will be given a short brief about the system. b. Your microphone is muted throughout the whole session. c. If you have any questions for the Chairman/ Board, you may use the Q&A panel to send your questions. The Chairman/ Board will try to respond to relevant questions if time permits. All relevant questions will be collected throughout the session and replied later through your registered email. d. The session will be recorded. e. Take note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at your location.
6.	Online Remote Voting	a. The Chairman will announce the commencement of the Voting session and the duration allowed at the respective EGM. b. The list of resolutions for voting will appear at the right-hand side of your computer screen. You are required to indicate your votes for the resolutions within the given stipulated time frame. c. Click on the Submit button when you have completed. d. Votes cannot be changed once it is submitted.
7.	End of remote participation	Upon the announcement by the Chairman on the closure of the EGM, the live webcast will end.

RECORD OF DEPOSITORS FOR THE EGM

For the purpose of determining whether a member is entitled to attend, participate and vote at the EGM, the Company shall be requesting the Record of Depositors as at 10 June 2022. Only shareholders whose names appear in the Record of Depositors as at 10 June 2022 shall be entitled to attend, participate and vote at the EGM or appoint proxy/ proxies on his/her behalf.

PROXY FORM

Please ensure that the hard copy of the original proxy form is deposited with the Poll Administrator's office at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.

The Company/ Poll Administrator may request any member/ members to deposit original executed Proxy Form to Poll Administrator's office for verification purpose, if you are to deposit the proxy form via email to admin@aldpro.com.my.

Proxy(ies) holder which member/ members had submitted proxy form to Poll Administrator are not required to register at online registration, Mlabs Research Sdn Bhd will send an invitation email to you to participate at the EGM.

REVOCATION OF PROXY

Please note that if a member has submitted his/ her Proxy Form prior to the EGM and subsequently decides to personally attend and participate in the EGM via RPV Facilities, the member must contact Poll Administrator, Aldpro Corporate Services Sdn Bhd to revoke the appointment of his/ her proxy no later than 12.00 p.m. on 15 June 2022.

NO RECORDING OR PHOTOGRAPHY

Strictly NO recording or photography of the proceedings of the EGM is allowed.

SERSOL BERHAD

Registration No. 200201034397 (602062-X)

NO REFRESHMENTS AND NO DOOR GIFTS

There will be no distribution of refreshments and door gifts for the EGM of the Company.

ENQUIRY

If you have any general enquiry prior to the EGM, please contact the following officers during office hours (Monday to Friday):

For Registration, logging in and system related:

Mlabs Research Sdn. Bhd.

Name: Mr. Bryan / Mr. Hong / Ms Eris

Telephone No: +603 7688 1013

Email: vgm@mlabs.com

For Proxy matters:

Aldpro Corporate Services Sdn. Bhd.

Name: Ms Jennie / Ms Vivien Khoh

Telephone No: +603 7890 0638

Email: admin@aldpro.com.my

PERSONAL DATA POLICY

By registering for the RPV Facilities and/ or submitting the instrument appointing a proxy(ies) and/ or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/ or guidelines. The member agrees that he/ she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

**SERSOL BERHAD**

[Registration No. 200201034397 (602062-X)]

PROXY FORM

Number of Shares Held:	
CDS Account No.:	

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 the "**Company**"), hereby appoint the following person(s) below as my/ our proxy(ies) to vote for me/ us and on my/ our behalf at the Extraordinary General Meeting ("**EGM**") of the Company to be conducted virtually from the Broadcast Venue at 10.3, 10th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 17 June 2022, 12.00 p.m., or at any adjournment thereof, or immediately after the conclusion of the Company's Nineteenth Annual General Meeting scheduled to be held on the same day at 11.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:

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.	RESOLUTIONS	FOR		AGAINST	
		PROXY 1	PROXY 2	PROXY 1	PROXY 2
Ordinary Resolution 1	Proposed Bonus Issue of Shares				
Ordinary Resolution 2	Proposed Free Warrants Issue				

Dated this _____ day of _____ 2022

Signature / Common Seal of Shareholder

Contact No: _____

NOTES:

- The EGM of the Company will be conducted virtually from the Broadcast Venue at 10.3, 10th Floor, Menara Lien Hoe, No. 8 Persiaran Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Friday, 17 June 2022, 12.00 p.m., or at any adjournment thereof, or immediately after the conclusion of the Company's Nineteenth Annual General Meeting scheduled to be held on the same day at 11.00 a.m., whichever is later. Shareholders of the Company are required to register for the EGM virtually at <https://rebrand.ly/Sersol-EGM> not less than twenty-four (24) hours before the time appointed for holding the meeting or at any adjournment thereof. (Please follow the procedures as stipulated in the Administrative Guide).
- A member of the Company who is entitled to attend, speak and vote at this EGM may appoint a proxy to attend, speak and vote on his/her behalf. A proxy may but need not be a member of the Company, and a member may appoint any person to be his/her proxy without limitation.
- Where a member appoints more than one (1) proxy to attend and vote at the same EGM, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), he/she may appoint one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said security account.



5. Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) 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.
An exempt authorised nominee refers to an authorised nominee defined under the SICDA who is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. The instrument appointing a proxy shall be in writing by the appointer or an attorney duly authorised in writing or, if the appointer is a corporation, whether under its seal or by an officer or attorney duly authorised.
7. The instrument appointing either a proxy, a power of attorney or other authorities, where it is signed or certified by a notary as a true copy shall be deposited with the Poll Administrator's office, Aldpro Corporate Services Sdn. Bhd., at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia or email to admin@aldpro.com.my not less than forty-eight (48) hours before the time appointed for holding the EGM or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.
8. The right of foreigners to vote in respect of deposited securities is subject to Sections 41(1)(e) and 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and the Constitution of the Company.
9. In respect of deposited securities, only members whose names appear in the Record of Depositors on 10 June 2022 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this EGM.
10. Any alteration in the Proxy Form must be initialed.
11. Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolution set out in the Notice of EGM will be put to the vote by poll.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclose of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**");
- (ii) warrants that the member has obtained the prior consent of such proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies), and/ or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.

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AFFIX
STAMP

**The Poll Administrator of
SERSOL BERHAD** (Registration No. 200201034397 (602062-X))

c/o Aldpro Corporate Services Sdn. Bhd.
Level 5, Block B, Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam
Selangor Darul Ehsan
Malaysia

2nd Fold Here

Fold This Flap For Sealing