

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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SERN KOU RESOURCES BERHAD

[Registration No. 200001016496 (519103-X)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED BONUS ISSUE OF UP TO 720,000,000 NEW ORDINARY SHARES IN SERN KOU RESOURCES BERHAD (“SKRB”) (“SKRB SHARES”) (“BONUS SHARES”) ON THE BASIS OF 2 BONUS SHARES FOR EVERY 1 EXISTING SKRB SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER

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 Notice of the Extraordinary General Meeting (“EGM”) of the Company together with the Proxy Form are enclosed in this Circular.

As a shareholder you can appoint a proxy or proxies to attend and vote on your behalf. You must complete and lodge the Proxy Form at the Registered Office of the Company situated at Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim not less than 48 hours before the time set for the EGM. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form	: Tuesday, 18 May 2021 at 11.30 a.m.
Date and time of EGM	: Thursday, 20 May 2021 at 11.30 a.m.
Venue of the EGM	: Board Room, Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim

This Circular is dated 23 April 2021

DEFINITIONS

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

“5D-VWAP”	:	5-day volume weighted average market price
“Act”	:	Companies Act 2016
“Additional Warrants 2018/2023”	:	The adjustment to the number of Warrants 2018/2023 which will give rise to the issuance of additional Warrants 2018/2023 due to the Proposed Bonus Issue
“Announcement”	:	The announcement dated 12 April 2021 in relation to the Proposed Bonus Issue
“Board”	:	Board of Directors of SKRB
“Bonus Shares”	:	Up to 720,000,000 new ordinary shares in SKRB to be issued pursuant to the Proposed Bonus Issue
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Circular”	:	This circular to shareholders dated 23 April 2021 in respect of the Proposed Bonus Issue
“Director”	:	A natural person who holds a directorship in the Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2 of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“EGM”	:	Extraordinary General Meeting
“Entitled Shareholders”	:	Shareholders of SKRB whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date
“Entitlement Date”	:	The date (to be determined by the Board and announced later by the Company) as at the close of business on which the names of the shareholders must appear in the Record of Depositors of the Company in order to be entitled to the Proposed Bonus Issue
“EPS”	:	Earnings per ordinary share in SKRB
“FYE”	:	Financial year ended/ financial year ending, as the case may be
“Genius Success”	:	Genius Success Capital Sdn. Bhd.
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	9 April 2021, being the latest practicable date prior to the printing of this Circular
“LPS”	:	Low Peng Sian @ Chua Peng Sian
“Maximum Scenario”	:	Assuming full exercise of Warrants 2018/2023 into new SKRB Shares prior to the implementation of the Proposed Bonus Issue
“Minimum Scenario”	:	Assuming none of the Warrants 2018/2023 are exercised into new SKRB Share prior to the implementation of the Proposed Bonus Issue
“NA”	:	Net assets attributable to ordinary equity holders of SKRB
“Proposed Bonus Issue”	:	Proposed bonus issue of up to 720,000,000 new SKRB Shares on the basis of 2 Bonus Shares for every 1 existing SKRB Share held on the Entitlement Date

DEFINITIONS (Cont'd)

“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“SKRB” or “Company”	: Sern Kou Resources Berhad
“SKRB Group” or “Group”	: SKRB and its subsidiaries, collectively
“SKRB Shares” or “Shares”	: Ordinary shares in SKRB
“TA Securities” or “Adviser”	: TA Securities Holdings Berhad
“TEBP”	: Theoretical ex-bonus share price
“USD”	: United States Dollar
“VWAP”	: Volume weighted average market price
“Warrants 2018/2023”	: 97,190,334 outstanding warrants in SKRB as constituted by the Deed Poll dated 5 March 2018

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

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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

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TABLE OF CONTENTS

PAGE**LETTER TO THE SHAREHOLDERS CONTAINING:**

1.	INTRODUCTION	1
2.	DETAILS OF THE PROPOSED BONUS ISSUE	2
3.	RATIONALE FOR THE PROPOSED BONUS ISSUE	4
4.	EFFECTS OF THE PROPOSED BONUS ISSUE	4
5.	HISTORICAL SHARE PRICES	8
6.	APPROVALS REQUIRED	8
7.	CONDITIONALITY OF THE PROPOSED BONUS ISSUE	9
8.	INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED	9
9.	DIRECTORS' STATEMENT AND RECOMMENDATION	9
10.	ESTIMATED TIME FRAME FOR COMPLETION	9
11.	EGM	9
12.	FURTHER INFORMATION	9

APPENDIX

I	FURTHER INFORMATION	10
	NOTICE OF EGM	ENCLOSED
	PROXY FORM	ENCLOSED

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY SETS OUT SALIENT INFORMATION ON THE PROPOSED BONUS ISSUE. PLEASE READ THIS CIRCULAR AND THE APPENDIX CAREFULLY FOR FURTHER DETAILS ON THE PROPOSED BONUS ISSUE BEFORE VOTING.

The Board is recommending shareholders of SKRB to vote **IN FAVOUR** of the resolution in relation to the Proposed Bonus Issue to be tabled at the forthcoming EGM.

Issue size	SKRB proposes to undertake a bonus issue of up to 720,000,000 new SKRB Shares on the basis of 2 Bonus Shares for every 1 existing SKRB Share held on the Entitlement Date.
Rationale	<p>The Board is of the view that the Proposed Bonus Issue is an appropriate avenue for the Company to reward its shareholders for their loyalty and continued support to SKRB Group as the Proposed Bonus Issue:</p> <ul style="list-style-type: none">(i) will enable the shareholders to have greater participation in the equity of the Company in terms of the number of SKRB Shares held, whilst maintaining their percentage of equity interest; and(ii) is expected to enhance the marketability and trading liquidity of SKRB Shares on the Main Market of Bursa Securities, thereby providing opportunity for greater participation from a broader range of investors.
Approvals required	<p>The Proposed Bonus Issue is subject to and conditional upon the following approvals being obtained:</p> <ul style="list-style-type: none">(i) Bursa Securities for the following:<ul style="list-style-type: none">(a) listing of and quotation for up to 720,000,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;(b) listing of and quotation for up to 194,380,668 Additional Warrants 2018/2023; and(c) listing of and quotation for up to 194,380,668 new SKRB Shares to be issued pursuant to the exercise of the Additional Warrants 2018/2023,on the Main Market of Bursa Securities.(ii) the shareholders of SKRB at the EGM to be convened for the Proposed Bonus Issue.

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SERN KOU RESOURCES BERHAD

[Registration No. 200001016496 (519103-X)]
(Incorporated in Malaysia)

Registered Office:

Lot PTD 6019 (Lot 8804)
Jalan Perindustrian 1
Kawasan Perindustrian Bukit Bakri
Mukim Bakri, 84200 Muar
Johor Darul Takzim

23 April 2021

Board of Directors

Tan Sri Abdul Rahim Bin Mohd Noor (*Chairman and Independent Non-Executive Director*)
Low Peng Sian @ Chua Peng Sian (*Managing Director*)
Lee Shen Wang (*Executive Director*)
Siah Chew Peng (*Executive Director*)
Loo Eng Hua (*Non-Independent Non-Executive Director*)
Datuk Tay Puay Chuan (*Independent Non-Executive Director*)
Leou Thiam Lai (*Independent Non-Executive Director*)

To: The Shareholders of SKRB

Dear Sir/Madam,

PROPOSED BONUS ISSUE OF UP TO 720,000,000 NEW ORDINARY SHARES IN SKRB ON THE BASIS OF 2 BONUS SHARES FOR EVERY 1 EXISTING SKRB SHARE HELD ON THE ENTITLEMENT DATE

1. INTRODUCTION

On 12 April 2021, TA Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Bonus Issue.

Bursa Securities had vide its letter dated 19 April 2021, approved the following:

- (i) listing of and quotation for up to 720,000,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
- (ii) listing of and quotation for up to 194,380,668 Additional Warrants 2018/2023; and
- (iii) listing of and quotation for up to 194,380,668 Additional Warrants 2018/2023 to be issued pursuant to the exercise of the Additional Warrants 2018/2023,

on the Main Market of Bursa Securities, subject to the conditions as stated in Section 6 of this Circular.

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

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN CAREFULLY BEFORE VOTING BY WAY OF POLL ON THE RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue entails the issuance of up to 720,000,000 Bonus Shares on the basis of 2 Bonus Shares for every 1 existing SKRB Share held by the Entitled Shareholders on the Entitlement Date.

The Proposed Bonus Issue of Shares will be based on the following scenarios:

	Minimum Scenario	Maximum Scenario
No. of Bonus Shares to be issued	525,619,332 Bonus Shares	Up to 720,000,000 Bonus Shares

For illustration purposes, the entitlement for every 1,000 SKRB Shares held by the Entitled Shareholders are as follows:

No. of SKRB Shares held	Bonus Shares entitlement
1,000	2,000

The basis of 2 Bonus Shares for every 1 existing SKRB Share was determined after taking into consideration, the following:

- (i) the potential adjustment to the share price of SKRB Shares arising from the Proposed Bonus Issue; and
- (ii) the potential enhancement to the trading liquidity of SKRB Shares traded in the market given the adjustment to the share price as well as the increase in number of SKRB Shares after the Proposed Bonus Issue.

The Entitlement Date will be determined and announced at a later date after all the relevant approvals for the Proposed Bonus Issue have been obtained.

As at the LPD, the issued share capital of the Company is RM69,123,866 comprising 262,809,666 SKRB Shares. The actual number of Bonus Shares to be issued will depend on the number of SKRB Shares in issue on the Entitlement Date.

The Proposed Bonus Issue will not be implemented on a staggered basis.

There will be an adjustment to the market price of SKRB Shares listed and quoted on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue. For illustrative purposes, based on the 5D-VWAP of SKRB Shares up to and including the LPD and the lowest 3-month daily VWAP of SKRB Shares up to 13 April 2021 (being the date immediately before the submission of the application), the TEBP of SKRB Shares are as follows:

Before the Proposed Bonus Issue		TEBP after the Proposed Bonus Issue	
5D-VWAP up to the LPD	RM2.2076	$T_x = \frac{(P \times Y)}{Y + X}$	
		$= \frac{2.2076 \times 1}{1 + 2}$	
		$= \text{RM0.74}$	
Lowest past 3-month daily VWAP up to 13 April 2021	RM1.7058	$T_x = \frac{(P \times Y)}{Y + X}$	
		$= \frac{1.7058 \times 1}{1 + 2}$	
		$= \text{RM0.57}$	

where:

T_x	=	Theoretical ex-price (RM)
P	=	VWAP of SKRB Shares
X	=	Bonus Share (unit)
Y	=	Holding of Existing Share (unit)

Accordingly, the Board confirms that the share price of SKRB Shares adjusted for the Proposed Bonus Issue is not less than RM0.50 based on the daily VWAP during the past 3-month period before the application date, being 14 April 2021, which complies with Paragraph 6.30(1A) of the Listing Requirements.

2.2 No capitalisation of reserves

The Bonus Shares will be issued as fully paid, at no consideration and without capitalisation of the Company's reserves.

For the avoidance of doubt, the Proposed Bonus Issue will increase the number of SKRB Shares but will not change the value of the share capital of SKRB.

2.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank equally in all respects with the existing SKRB Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, where the entitlement date is before the date of allotment and issuance of the Bonus Shares.

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

2.4 Listing of and quotation for the Bonus Shares

Bursa Securities had, vide its letter dated 19 April 2021, approved the listing of and quotation for up to 720,000,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue on the Main Market of Bursa Securities, subject to the conditions as stated in Section 6 of this Circular.

Upon obtaining all the necessary approvals, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day after the Entitlement Date. The notices of allotment for the Bonus Shares will be issued and despatched to the Entitled Shareholders no later than 4 market days after the date for the listing of and quotation for the Bonus Shares, or such other period as may be prescribed by Bursa Securities.

3. RATIONALE FOR THE PROPOSED BONUS ISSUE

The Board is of the view that the Proposed Bonus Issue is an appropriate avenue for the Company to reward its shareholders for their loyalty and continued support to SKRB Group as the Proposed Bonus Issue:

- (i) will enable the shareholders to have greater participation in the equity of the Company in terms of the number of SKRB Shares held, whilst maintaining their percentage of equity interest; and
- (ii) is expected to enhance the marketability and trading liquidity of SKRB Shares on the Main Market of Bursa Securities, thereby providing opportunity for greater participation from a broader range of investors.

4. EFFECTS OF THE PROPOSED BONUS ISSUE

4.1 Share capital

The proforma effects of the Proposed Bonus Issue on the share capital of SKRB are as follows:

Share Capital	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	262,809,666	69,123,866	262,809,666	69,123,866
Assuming full exercise of Warrants 2018/2023	-	-	97,190,334	38,876,134*
Issuance of Bonus Shares pursuant to the Proposed Bonus Issue	262,809,666 525,619,332	69,123,866 -	360,000,000 720,000,000	108,000,000 -
Enlarged share capital	788,428,998	69,123,866	1,080,000,000	108,000,000

Note:

* Assuming full exercise of 97,190,334 outstanding Warrants 2018/2023 at RM0.40 each into 97,190,334, new SKRB Shares.

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4.2

NA and gearing

The Proposed Bonus Issue has the following pro forma effects on the NA and gearing of the Group based on its audited financial statements as at 30 June 2020:

Minimum Scenario

	(Audited) As at 30 June 2020 RM	(I) After subsequent events up to the LPD RM	(II) After (I) and Proposed Bonus Issue RM
Share capital	66,324,040	69,123,866 ⁽¹⁾	69,123,866
Retained earnings	44,114,425	44,114,425	43,894,425 ⁽²⁾
Shareholders' funds / NA	110,438,465	113,238,291	113,018,291
No. of Shares in issue NA per Share (RM)	255,810,100 0.43	262,809,666 ⁽¹⁾ 0.43	788,428,998 0.14
Total borrowings (RM) Gearing (times)	74,747,560 0.68	74,747,560 0.66	74,747,560 0.66

Notes:

- (1) After the exercise of 6,999,566 Warrants 2018/2023 at RM0.40 each into 6,999,566 new SKRB Shares.
- (2) After deducting estimated expenses of approximately RM0.22 million in relation to the Proposed Bonus Issue.

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Maximum Scenario

	(Audited) As at 30 June 2020 RM	(I) After subsequent events up to the LPD RM	(II) After (I) and full exercise of Warrants 2018/2023 RM	(III) After (II) and Proposed Bonus Issue RM
Share capital	66,324,040	69,123,866 ⁽¹⁾	108,000,000 ⁽²⁾	108,000,000
Retained earnings	44,114,425	44,114,425	44,114,425	43,894,425 ⁽³⁾
Shareholders' funds / NA	110,438,465	113,238,291	152,114,425	151,894,425
No. of Shares in issue NA per Share (RM)	255,810,100 0.43	262,809,666 ⁽¹⁾ 0.43	360,000,000 ⁽²⁾ 0.42	1,080,000,000 0.14
Total borrowings (RM) Gearing (times)	74,747,560 0.68	74,747,560 0.66	74,747,560 0.49	74,747,560 0.49

Notes:

- (1) After the exercise of 6,999,566 Warrants 2018/2023 at RM0.40 each into 6,999,566 new SKRB Shares.
- (2) Assuming full exercise of 97,190,334 outstanding Warrants 2018/2023 at RM0.40 each into 97,190,334 new SKRB Shares.
- (3) After deducting estimated expenses of approximately RM0.22 million in relation to the Proposed Bonus Issue.

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4.3 Substantial shareholders' shareholdings

For illustrative purposes, the pro forma effects of the Proposed Bonus Issue and on SKRB's substantial shareholders' shareholdings based on the Company's Register of Shareholders as at the LPD are as follows:

Minimum Scenario

	As at LPD				(I) After Proposed Bonus Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Genius Success	48,000,000	18.26	-	-	144,000,000	18.26	-	-
LPS	35,387,000	13.46	48,000,000*	18.26	106,161,000	13.46	144,000,000*	18.26

Notes:

* Deemed interested by virtue of his interest in Genius Success pursuant to Section 8 of the Act.

Maximum Scenario

	As at LPD				(I) After full exercise of Warrants 2018/2023 ⁽⁴⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Genius Success	48,000,000	18.26	-	-	72,000,000 ⁽²⁾	20.00	-	-
LPS	35,387,000	13.46	48,000,000 ⁽¹⁾	18.26	55,287,900 ⁽³⁾	15.36	72,000,000 ⁽¹⁾	20.00

	(II) After (I) and Proposed Bonus Issue			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Genius Success	216,000,000	20.00	-	-
LPS	165,863,700	15.36	216,000,000 ⁽¹⁾	20.00

Notes:

(1) Deemed interested by virtue of his interest in Genius Success pursuant to Section 8 of the Act.

(2) Assuming full exercise of 24,000,000 Warrants 2018/2023 by Genius Success.

(3) Assuming full exercise of 19,900,900 Warrants 2018/2023 by LPS.

(4) An exemption to undertake a mandatory take-over offer would be required from the Securities Commission Malaysia pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions.

4.4 Earnings and EPS

The Proposed Bonus Issue is not expected to have any effect on the earnings of SKRB Group for the FYE 30 June 2021. However, there will be a corresponding dilution in the EPS of SKRB Group for the FYE 30 June 2021 as a result of the increase in the number of SKRB Shares in issue arising from the Proposed Bonus Issue.

4.5 Convertible securities

As at the LPD, save for the outstanding Warrants 2018/2023, the Company does not have any other existing convertible securities.

The Proposed Bonus Issue will result in adjustment to the number of Warrants 2018/2023 and the adjustment to the exercise price of the Warrants 2018/2023 held by each holder of the Warrants 2018/2023 pursuant to the deed poll dated 5 March 2018 governing the Warrants 2018/2023 ("Adjustments"). The details on the Adjustments shall be set out in a notice to the Warrants 2018/2023 holders which will be despatched to all Warrants 2018/2023 holders in due course.

5. HISTORICAL SHARE PRICES

The monthly high and low transacted prices of SKRB Shares for the past 12 months are as follows:

	High RM	Low RM
<u>2020</u>		
April	0.85	0.57
May	0.94	0.79
June	1.35	0.87
July	1.62	1.22
August	2.09	1.24
September	2.24	1.90
October	2.03	1.83
November	2.11	1.76
December	1.98	1.77
<u>2021</u>		
January	1.83	1.68
February	2.15	1.70
March	2.50	2.04

The last transacted market price of SKRB Shares on 9 April 2021 (being the last trading date prior to the announcement of the Proposed Bonus Issue as well as the LPD) was RM2.18 each.

(Source: Bloomberg Finance L.P.)

6. APPROVALS REQUIRED

The Proposed Bonus Issue is subject to and conditional upon the following approvals being obtained:

- (i) Bursa Securities for the following:
 - (a) listing of and quotation for up to 720,000,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
 - (b) listing of and quotation for up to 194,380,668 Additional Warrants 2018/2023; and
 - (c) listing of and quotation for up to 194,380,668 new SKRB Shares to be issued pursuant to the exercise of the Additional Warrants 2018/2023,

on the Main Market of Bursa Securities.
- (ii) the shareholders of SKRB at the EGM to be convened for the Proposed Bonus Issue.

The approval of Bursa Securities is subject to the following conditions:

	Conditions imposed	Status of compliance
(a)	SKRB and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue.	To be complied.
(b)	SKRB is required to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders at the EGM approving the Proposed Bonus Issue.	To be complied.
(c)	SKRB and TA Securities are required to inform Bursa Securities upon the completion of the Proposed Bonus Issue.	To be complied.
(d)	SKRB is required 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 is completed.	To be complied.
(e)	SKRB and TA Securities are required to make the relevant announcements in accordance with Paragraphs 6.35(2)(a), 6.35(2)(b) and 6.35(4) of the Listing Requirements.	To be complied.

7. CONDITIONALITY OF THE PROPOSED BONUS ISSUE

Save for the Proposed Bonus Issue, there are no other outstanding corporate exercises that have been announced but pending completion by the Company prior to the LPD. The Proposed Bonus Issue is not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND PERSONS CONNECTED

None of the directors, major shareholders of the Company, chief executive and persons connected with them has any interest, whether direct or indirect, in the Proposed Bonus Issue, apart from their respective entitlements to the Bonus Shares as shareholders of SKRB, to which all other shareholders of SKRB are similarly entitled to on a pro-rata basis.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

After having considered all aspects of the Proposed Bonus Issue, including but not limited to the rationale and effects of the Proposed Bonus Issue, the Board is of the opinion that the Proposed Bonus Issue is in the best interests of the Company.

Accordingly, the Board recommends that the shareholders vote **IN FAVOUR** of the resolution in respect of the Proposed Bonus Issue to be tabled at the forthcoming EGM.

10. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Bonus Issue to be completed in the 2nd quarter of 2021. The tentative timetable in relation to the implementation of the Proposed Bonus Issue is set out below:

Date	Events
20 May 2021	EGM
Late May 2021	Announcement of the Entitlement Date for Proposed Bonus Issue
Early June 2021	Entitlement Date
Early June 2021	Listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities

11. EGM

The EGM, the notice of which is set out in this Circular, will be held at Board Room, Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim on Thursday, 20 May 2021 at 11.30 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Bonus Issue by way of poll.

If you are unable to attend and vote in person at the EGM, you should complete and return the enclosed Proxy Form in accordance with the instruction provided thereon so as to arrive at the Registered Office of the Company situated at Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim not less than 48 hours before the time set for holding the EGM or any adjournment thereof.

The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

12. FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board
SERN KOU RESOURCES BERHAD

LOW PENG SIAN @ CHUA PENG SIAN
Managing Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making 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 misleading.

2. CONSENT

TA Securities, being the Adviser for the Proposed Bonus Issue, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

TA Securities has confirmed that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Adviser for the Proposed Bonus Issue.

4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

Save as disclosed below, as at the LPD, neither the Company nor its subsidiary companies are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company and/or the Group and the Board is not aware of any proceedings pending or threatened, or of any facts likely to give rise to any other proceedings, which might materially and adversely affect the business or financial position of the Company and/or the Group:

Sern Kou Furniture Industries Sdn Bhd, a wholly-owned subsidiary of the Company, had received a Class 5 ballot from the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division ("**Bankruptcy Court**") in respect of their general unsecured claim of USD246,834.87 or RM1,020,785.60 (translated based on Bank Negara Malaysia's middle exchange rate of USD1.00 : RM4.1355 as at the LPD) for goods sold and delivered to Pier 1 Imports, Inc. ("**Debtor**") by virtue of them being the Holder of a General Unsecured Claim in class 5 as of 16 June 2020.

This amount has been fully provided for as doubtful debts in the audited consolidated financial statements of the Company for the FYE 30 June 2020.

As at the LPD, the Company is awaiting the final decision of the Bankruptcy Court in respect of this claim.

5. MATERIAL COMMITMENT

As at the LPD, the Board is not aware of any material commitment incurred or known to be incurred by the Company and/or the Group, which upon becoming enforceable, may have material impact on the financial position of the Company and/or the Group.

FURTHER INFORMATION (Cont'd)

6. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any other contingent liabilities incurred or known to be incurred by the Company or the Group, which upon becoming enforceable, may have a material impact on the financial position of the Company and/or the Group:

	Group level As at the LPD (RM)
Corporate guarantees in favour of banks for banking facilities granted to subsidiaries	65,584,405
Total	65,584,405

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's Registered Office at Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim during normal business hours from 8.30 a.m. to 5.30 p.m. from Monday to Friday (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements for the past 2 FYEs 30 June 2019 and 30 June 2020 as well as the latest unaudited quarterly results for the 6-month financial period ended 30 December 2020;
- (iii) the claim referred to in Section 4 of this Appendix; and
- (iv) the letter of consent and conflict of interest as referred to in Sections 2 and 3 of this Appendix.

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SERN KOU RESOURCES BERHAD

[Registration No. 200001016496 (519103-X)]

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting of Sern Kou Resources Berhad will be held at Board Room, Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim on Thursday, 20 May 2021 at 11.30 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the following resolution:

ORDINARY RESOLUTION

PROPOSED BONUS ISSUE OF UP TO 720,000,000 NEW ORDINARY SHARES IN SERN KOU RESOURCES BERHAD (“SKRB” OR THE “COMPANY”) (“SKRB SHARES” OR “SHARES”) (“BONUS SHARES”) ON THE BASIS OF 2 BONUS SHARES FOR EVERY 1 EXISTING SKRB SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“ENTITLEMENT DATE”) (“PROPOSED BONUS ISSUE”)

“THAT subject to the approval of all relevant authorities or parties, authority be and is hereby given to the Board of Directors of SKRB (“**Board**”) to issue up to 720,000,000 Bonus Shares in the share capital of the Company and credit the same as fully paid to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business at 5.00 p.m. on a day to be determined and announced later (“**Entitled Shareholders**”) on the basis of 2 Bonus Shares for every 1 existing SKRB Share held by the Entitled Shareholders.

THAT such Bonus Shares will, upon allotment and issuance, rank equally in all respects with existing SKRB Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, where the entitlement date is before the date of allotment and issuance of the Bonus Shares.

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all such acts, deeds and things and to execute, sign and deliver on behalf of the Company all necessary documents to give full effect to and for the purpose of completing and/or implementing the Proposed Bonus Issue with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by the relevant authorities or as a consequence of any such requirement as may be deemed necessary and/or expedient in the best interest of the Company.”

By Order of the Board

LIM LEE KUAN (SSM PC No. 202008001079 & MAICSA 7017753)

NG SALLY (SSM PC No. 202008002702 & MAICSA 7060343)

Company Secretaries

Kuala Lumpur

23 April 2021

Notes:

1. Only members whose names appear in the Record of Depositors as at 12 May 2021 will be entitled to attend, speak and vote at the Meeting.
2. A Member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. A proxy may, but need not, be a Member of the Company and there shall be no restriction as to the qualification of the proxy where a Member appoints more than 1 proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be invalid.

3. A Member who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 (“SICDA”) may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
4. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (“Omnibus Account”), 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 as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. Where a Member appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
5. The instrument appointing a proxy shall be in writing executed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation’s seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office of the Company at Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority.

Measures to Minimise Risk of Coronavirus disease (“COVID-19”)

In order to minimise the risk of community spread of COVID-19, the Company will be taking the following precautionary measures at the Extraordinary General Meeting (“EGM”):

1. All attendees will be required to undergo a temperature check and make a health declaration;
2. Any person who has fever or exhibits flu-like symptoms will not be permitted to attend the EGM; and
3. There will be no door gift and refreshment served at the EGM.

On the seating arrangement and number of individuals to be present at the venue, the Company will observe the directives, safety and precautionary requirements as prescribed by the Government, the Ministry of Health, the Malaysian National Security Council, and other relevant authorities to curb the spread of COVID-19 are abide by.

We strongly encourage members to appoint the Chairman of the EGM as their proxy to attend and vote at the EGM. To vote on any or all of the resolution(s) at the EGM you are encouraged to send in your votes in advance by proxy and appoint the Chairman as your proxy. The proxy form is attached to the Circular. If you have any questions in relation to any item of the Agenda of the EGM, you may send them in advance via email at tang_acct@sernkou.com.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate and comply with any requirements or recommendation of any government agencies from time to time.

The Company seeks the understanding and cooperation of all shareholders to minimise the risk of community spread of COVID-19.



SERN KOU RESOURCES BERHAD
 [Registration No. 200001016496 (519103-X)]
 (Incorporated in Malaysia)

PROXY FORM

Number of Shares Held	
CDS Account No.	

*I/We _____ of _____ being a Member/Members of SERN KOU RESOURCES BERHAD [Registration No. 200001016496 (519103-X)], hereby appoint _____ of _____ or failing him/her _____ of _____ or # THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be held at Board Room, Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim on Thursday, 20 May 2021 at 11.30 a.m. or any adjournment thereof. My/our proxy is to vote as indicated below:

		FOR	AGAINST
ORDINARY RESOLUTION	Proposed Bonus Issue		

Please indicate with an “X” how you wish to cast your vote. In the absence of specific directions, your Proxy may vote or abstain at his/her discretion.

If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words “The Chairman of the Meeting” and insert the name(s) of the person(s) desired.

* Delete if not applicable.

The proportions of our shareholding to be represented by my/our proxies (if more than 1 proxy) are as follows:

First named proxy	%
Second named proxy	%	Signature of Shareholder or Common
	<u>100%</u>	Seal of Corporate Shareholder

Signed this _____ day of _____ 2021.

Notes:

- Only members whose names appear in the Record of Depositors as at 12 May 2021 will be entitled to attend, speak and vote at the Meeting.
- A Member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. A proxy may, but need not, be a Member of the Company and there shall be no restriction as to the qualification of the proxy where a Member appoints more than 1 proxy, he shall specify the proportions of his holdings to be represented by each proxy, failing which the appointment shall be invalid.
- A Member who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 (“SICDA”) may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account (“Omnibus Account”), 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 as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA. Where a Member appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing executed under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation’s seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office of the Company at Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1, Kawasan Perindustrian Bukit Bakri, Mukim Bakri, 84200 Muar, Johor Darul Takzim, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority.

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AFFIX
STAMP

The Company Secretaries

SERN KOU RESOURCES BERHAD
Lot PTD 6019 (Lot 8804), Jalan Perindustrian 1
Kawasan Perindustrian Bukit Bakri, Mukim Bakri
84200 Muar, Johor Darul Takzim

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