

## SECUREMETRIC BERHAD (“SECUREMETRIC” OR THE “COMPANY”)

### PROPOSED PRIVATE PLACEMENT OF NEW ORDINARY SHARES IN SECUREMETRIC, PURSUANT TO THE GENERAL MANDATE OBTAINED FROM THE COMPANY’S SHAREHOLDERS

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#### 1. INTRODUCTION

On behalf of the Board of Directors of Securemetric (“**Board**”), TA Securities Holdings Berhad (“**TA Securities**”) wishes to announce that the Company proposes to undertake the private placement of new ordinary shares in Securemetric (“**Securemetric Shares**” or “**Shares**”) (“**Placement Shares**”), pursuant to the general mandate obtained from the Company’s shareholders (“**Proposed Private Placement**”), at an issue price to be determined and fixed at a future date.

#### 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) had announced on 16 April 2020 (“**Bursa 2020 Announcement**”) that listed issuers are allowed to seek a higher general mandate under Paragraph 6.04 of the ACE Market Listing Requirements of Bursa Securities (“**Listing Requirements**”) of not more than 20% of the total number of issued shares (excluding treasury shares).

In view of the above, the Company had obtained a general mandate pursuant to Section 76 of the Companies Act 2016 (“**Act**”) from its shareholders at the Company’s 3<sup>rd</sup> annual general meeting (“**AGM**”) convened on 24 August 2020, whereby the Board has been authorised to issue and allot new Securemetric Shares not exceeding 20% of the total number of issued shares of Securemetric (excluding treasury shares) at the time of issue (“**General Mandate**”). The General Mandate shall continue to be in force until the conclusion of the Company’s next AGM. The Proposed Private Placement will be undertaken in accordance with the General Mandate.

##### 2.1 Size of placement

As at 19 March 2021, being the latest practicable date prior to this announcement (“**LPD**”), the Company has the following securities:

- (i) 536,030,000 issued Securemetric Shares; and
- (ii) 243,500,000 outstanding 3-year warrants with an exercise price of RM0.16 each (“**Outstanding Warrants 2020/2023**”) as constituted by a deed poll dated 3 January 2020 and expiring on 21 January 2023.

Under the minimum scenario (“**Minimum Scenario**”), it is assumed that none of the Outstanding Warrants 2020/2023 will be exercised into new Securemetric Shares before the Proposed Private Placement is implemented. The Company can issue up to 107,206,000 Securemetric Shares pursuant to the General Mandate, representing not more than 20% of the Company’s 536,030,000 issued Securemetric Shares as at the LPD. After taking into account the Company’s issuance of 48,730,000 Securemetric Shares at RM0.107 each by way of private placement on 25 June 2020 (“**June 2020 Placement**”), the remaining number of Placement Shares that the Company can issue under the Minimum Scenario would be 58,476,000 Placement Shares.

Under the maximum scenario (“**Maximum Scenario**”), the 243,500,000 Outstanding Warrants 2020/2023 are assumed to be fully exercised before the implementation of the Proposed Private Placement. The Company can therefore issue up to 155,906,000 Securemetric Shares pursuant to the General Mandate, representing not more than 20% of the enlarged number of 779,530,000 issued Securemetric Shares as at the LPD. After taking into account the 48,730,000 Securemetric Shares already issued for the June 2020 Placement, the Company can issue up to 107,176,000 Placement Shares under the Maximum Scenario.

## 2.2 Placement Arrangement

The Company intends to place out the Placement Shares to independent third-party investor(s) to be identified later and who are not any of the following:

- (i) a director, major shareholder or chief executive of Securemetric (“**Interested Person**”);
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In addition, the independent third party investor(s) shall be persons who qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007, which include inter-alia, the issuance of the Placement Shares to each of them for a consideration of not less than RM250,000 or the issuance of the Placement Shares is made to high-net worth individuals whose net personal assets exceed RM3,000,000 or to corporations with net assets exceeding RM10,000,000.

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

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

## 2.3 Basis and justification of determining the issue price

The Board will determine and announce the issue price of the Placement Shares at a future date (“**Price Fixing Date**”), after Bursa Securities has approved the Proposed Private Placement. The Placement Shares will be priced at a discount of not more than 10% to the 5-day volume weighted average market price (“**5D-VWAP**”) of Securemetric Shares immediately before the Price Fixing Date.

As indicative issue price of RM0.147 would represent a discount of RM0.016 or approximately 9.82% to the 5D-VWAP of Securemetric Shares up to and including the LPD of RM0.163.

At RM0.147 for each Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM8,595,972 based on 58,476,000 Placement Shares under the Minimum Scenario and up to RM15,754,872 based on 107,176,000 Placement Shares under the Maximum Scenario.

## 2.4 Ranking of the Placement Shares

Upon allotment and issuance, the Placement Shares shall rank equally in all respects with existing Securemetric Shares.

## 2.5 Listing of and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

## 2.6 Use of proceeds

Based on the indicative issue price of RM0.147 per Placement Share, the proceeds from the Proposed Private Placement are intended to be used by Securemetric and its subsidiaries (“Securemetric Group” or “Group”) in the following manner:

Purposes	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected time frame for use of proceeds (from the listing date of the Placement Shares)
Working capital	(1)	4,481	7,640	Within 12 months
Certification costs	(2)	2,000	4,000	Within 24 months
Information technology (“IT”) infrastructure	(3)	2,000	4,000	Within 24 months
Expenses for the Proposed Private Placement	(4)	115	115	Within 1 month
<b>Total proceeds</b>		<b>8,596</b>	<b>15,755</b>	

Notes:

- (1) Up to RM7.6 million will be used as working capital for the Group’s operations with the following breakdown:

Working capital	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)
Sales and distribution expenses (e.g. shipment, freight fees and travelling expenses)	1,000	2,500
Marketing expenses (e.g. virtual seminars, digital marketing through online advertising platform such as social media, conventional marketing, advertisement and promotion via search engine optimisation)	500	500
Office related expenses (e.g. cloud hosting cost, staff’s salary and statutory contributions, utilities, software licenses fee, insurance premiums, costs for maintenance and upkeep of office premises and office supplies)	2,981	4,640
<b>Total</b>	<b>4,481</b>	<b>7,640</b>

As at 31 December 2020, the Group has approximately RM26.5 million in cash and bank balances (inclusive of fixed deposits). As the recent COVID-19 pandemic and resulting business interruption are expected to have an adverse effect on a global economic scale in the immediate and long term, the Group is of the view that the ability to raise funds expeditiously is crucial as the additional working capital will help to finance the Group’s existing day-to-day operations as a whole by providing more flexibility and financial buffer in terms of cash flow management.

- (2) On 29 July 2020, Securemetric launched SigningCloud in Malaysia which is positioned as a security-as-a-service solution and is offered on a subscription basis. The backbone behind the SigningCloud platform is the Group’s advance digital signature encryption technology (“**Solution**”) that allows users to digitally sign on documents which are legally binding and compliant with the Digital Signature Act 1997. The digitally signed documents are encrypted with digital certificates issued by the public certification authorities in Malaysia. As at the LPD, the Group has 4,335 users from public sector, banking, information technology and accounting industries.

*In the longer-term, Securemetric anticipates to introduce the Solution in Asia, Europe and United States of America (subject to compliance with the respective countries' digital acts and regulations). For the digital security industry which the Group operates in, certifications are important to demonstrate that the levels of security of its IT products and solutions are verified and recognised.*

*Therefore, Securemetric intends to allocate up to RM4.0 million to obtain the Electronic Identification, Authentication and trust Services ("eIDAS") certification and Common Criteria Certificate Evaluation Assurance Levels ("EAL4+" ) certification for its Solution. The certification costs consist of consultancy fee (for the advisory and preparation of applications) and application fees, with the breakdowns only determinable in the future. Securemetric expects to obtain the eIDAS and EAL4+ certifications within 2 years upon submission of the applications.*

*The eIDAS and EAL4+ certifications are expected to bolster international recognition and confidence for the Solution as well as improve marketability of the Solution. Furthermore, the eIDAS certificate will allow Securemetric to penetrate into the European market for electronic trust services.*

*Further details of eIDAS and EAL4+ are as follows:*

<b>Certification</b>	<b>Description of certification</b>
<i>eIDAS</i>	<i>eIDAS is a standardised European Union regulation which establishes binding regulations for electronic identification and electronic trust services within the European Single Market. The eIDAS regulation specifies common conditions for electronic signatures and certificates, electronic time stamps and electronic seals as well as electronic certification and website certificates for the verifiably trustworthy and safe exchange of electronic documents between corporates/ citizens and public authorities. eIDAS regulation is to confer upon electronic transactions a comparable legal status to transactions on paper. eIDAS is a framework regulating requirements on identification of user, authentication of user and the functions of electronic signatures (digital signatures).</i>
<i>EAL4+</i>	<i>Common Criteria is a set of international guidelines and specifications developed for evaluating information security products, specifically to ensure products meet an agreed-upon security standard for government deployments. EAL4+ permits a developer to gain maximum assurance from positive security engineering based on good commercial development practices. EAL4+ is a Common Criteria certification that certifies a product to become trustworthy.</i>

- (3) *In line with the Group's strategy to expand the Solution to other markets, the Group will first focus on rolling out its Solution in its current operational locations (i.e. Vietnam, the Philippines, Singapore and Indonesia). In view of the respective countries' digital acts and regulations, the encrypted private keys (stored into a local Hardware Security Module ("HSM")) must be stored in a localised location. These private keys are encrypted through a HSM which is designed to perform the cryptographic process (i.e. encryption and decryption) as well as to safeguard the private keys.*

The breakdown of amount for each HSM and server hardware to be installed in Vietnam, the Philippines, Singapore and Indonesia cannot be determined at this juncture. Nevertheless, the Group anticipates to purchase, in aggregate, the following IT infrastructure:

<b>IT infrastructure</b>	<b>Minimum Scenario</b>	<b>Maximum Scenario</b>
HSM	3 units	10 units
Server hardware	6 units	10 units

- (4) Consisting of mainly professional fees, placement fees, fees payable to Bursa Securities and other ancillary expenses.

The actual amount of proceeds to be raised will depend on the number of Placement Shares to be issued and their issue price(s). Any variance in the actual gross proceeds raised will be adjusted against the amount allocated for the Group's working capital of which the breakdown cannot be determined at this juncture.

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

### 3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue to raise additional funds expeditiously to meet the purposes as stated in Section 2.6 of this announcement, without incurring interest cost as compared to bank borrowings or the issuance of debt instruments. The Proposed Private Placement is expected to strengthen Securemetric's capital base as well as improve Securemetric's financial position and future earnings when the economic and financial benefits from the use of proceeds are realised.

### 4. PREVIOUS FUND RAISING EXERCISE

Securemetric had undertaken the following equity fund raising exercises in the past 3 years:

#### Initial public offering

On 13 November 2018, the Company was listed on the ACE Market of Bursa Securities ("Listing") and had raised gross proceeds of RM17.0 million from the Listing through the issuance of 68,000,000 new Shares at RM0.25 each. As at the date of this announcement, the status of the proceeds is as follows:

<b>Purposes</b>	<b>Proposed usage (RM'000)</b>	<b>Variation/ Re-allocation (RM'000)</b>	<b>Amount utilised (RM'000)</b>	<b>Balance to be utilised (RM'000)</b>	<b>Estimated timeframe for utilisation from the date of Listing</b>
Business expansion	1,700	-	(784)	916 <sup>(1)</sup>	By November 2021 <sup>^</sup>
Development of new digital security solutions	5,700	(2,389)	(3,311)	-	By November 2021 <sup>^</sup>
Investment in PrivyID	-	2,389	(2,389)	-	*
Repayment of bank borrowings	1,942	-	(1,942)	-	Utilised
Working capital	5,158	163	(3,438)	1,883 <sup>(2)</sup>	By November 2021 <sup>^</sup>
Estimated listing expenses	2,500	(163) <sup>(3)</sup>	(2,337)	-	Utilised
<b>Total</b>	<b>17,000</b>	<b>-</b>	<b>(14,201)</b>	<b>2,799</b>	

Notes:

<sup>^</sup> As announced on 16 October 2020, the Board had decided to extend the timeframe for the utilisation of proceeds raised from the Listing from November 2020 to November 2021.

<sup>\*</sup> As announced on 10 June 2020 and 12 June 2020, the Board had decided to re-allocate RM2.389 million towards the Company's investment in PrivyID. As had been announced on 15 January 2020, the investment in PrivyID will be funded through the Listing proceeds and/or internally-generated funds of Securemetric.

(1) The proceeds for business expansion are mainly for the office expansion in Malaysia and the Philippines as well as marketing and promotional activities. As the COVID-19 pandemic is unprecedented, the Group anticipates the business expansion in Malaysia and the Philippines will remain challenging due to inevitable postponement/ cancellation of marketing and promotional activities (i.e. seminars, forums, conferences and exhibitions) as well as movement restrictions being imposed on participants as preventative measures in light of the pandemic. Nevertheless, Securemetric is committed to expand its office in the Philippines. The Group has presently identified a potential office location in Makati (Filipino financial hub) to expand its existing office and it intends to initiate negotiation with relevant parties when the resulting business restrictions due to COVID-19 pandemic eases. The Group intends to fully utilise the balance by November 2021.

(2) The proceeds for working capital are mainly for the expansion of the Group's workforce as well as day-to-day operations (e.g. shipment and freight fees, insurance premium and travelling). As at the date of this announcement, the status of the proceeds is as follows:

	<b>Proposed usage (after variation) (RM'000)</b>	<b>Balance to be utilised (RM'000)</b>
<b>Working capital</b>		
Expansion of workforce	3,580	730*
Day-to-day operations	1,578	1,153
<b>Total</b>	<b>5,158</b>	<b>1,883</b>

Note:

<sup>\*</sup> As announced on 16 October 2020, RM1.52 million has been re-allocated from expansion of workforce to day-to-day operations.

The Group is in the midst of identifying suitable candidates and intends to complete the recruitment process by November 2021.

(3) The balance of RM163,000 had been utilised for the working capital requirements of the Group.

### **June 2020 Placement**

On 25 June 2020, the Company had issued 48,730,000 Securemetric Shares at an issue price of RM0.107 each, raising gross proceeds of RM5,214,110 with the following status of usage as at the LPD:

<b>Purposes</b>	<b>Proposed usage (RM'000)</b>	<b>Amount utilised (RM'000)</b>	<b>Balance to be utilised (RM'000)</b>	<b>Estimated timeframe for usage from the date of listing of Placement Shares</b>
Investment in R&D activities	950	(507)	443 <sup>(1)</sup>	By June 2022
Exploration of investments and markets relating to digital security solutions	3,369	(928)	2,441 <sup>(2)</sup>	By June 2022
Working capital	800	(624)	176 <sup>(3)</sup>	By June 2021
Expenses for the Private Placement	95	(80)	15 <sup>(4)</sup>	Utilised
<b>Total proceeds</b>	<b>5,214</b>	<b>2,139</b>	<b>3,075</b>	

Notes:

- (1) The proceeds for investment in R&D activities are mainly to enhance the user experience, functionalities, security as well as integration of CENTAGATE Cloud and SigningCloud with third parties services.

As at the LPD, the status of the proceeds is as follows:

<b>Description</b>	<b>Proposed usage (RM'000)</b>	<b>Balance to be utilised (RM'000)</b>
Staff and outsourcing costs in relation to R&D, market research and feasibility studies for CENTAGATE Cloud and SigningCloud as well as white-label services of these platforms	800	409
Purchase of IT infrastructure (e.g. HSM, server, laptops and antivirus solutions)	100	-
Security assessment and testing fees in relation to CENTAGATE Cloud and SigningCloud	50	34
<b>Total</b>	<b>950</b>	<b>443</b>

- (2) The Group intends to expand and complement its existing digital security solutions business through potential investments in companies and development of new regional markets related to digital security solutions. Any such investment and market development may be carried out via merger and acquisition of businesses, joint ventures as well as formation of key partnerships with companies that are involved in providing digital security solutions or companies that require the Group's digital security solutions to enhance and/or to be integrated into their existing digital security solutions. The Group's management is currently exploring high growth countries such as Indonesia, Vietnam, The Philippines, Thailand and Cambodia for potential investments due to their potential and policies for immediate adoption of digital security solutions which would allow Securemetric to capitalise on these opportunities.

The development of new regional markets (i.e. in Europe, Japan, China and South Korea) will be carried out in stages through preliminary market research analysis, establishing a marketing strategy and identifying target customers. The management has identified these countries for future development in anticipation of the global recovery from the effects of the COVID-19 pandemic.

Securemetric intends to continue setting aside this amount for the stated purpose. As at the LPD, the Company is still exploring potential investments and would be able to provide further details of the potential investments on future dates through announcements when such investments are identified and terms are finalised. The Company will obtain its shareholders' approval for such investments, if required, pursuant to the ACE Market Listing Requirements of Bursa Securities. However, if such investments do not crystallise within the expected timeframe, the proceeds will be re-allocated towards the working capital of the Group.

- (3) As at the LPD, the status of the proceeds for working capital is as follows:

<b>Working capital</b>	<b>Proposed usage (RM'000)</b>	<b>Balance to be utilised (RM'000)</b>
Rental, utilities and office related expenses	500	-
Sales and distribution expenses	200	176
Professional fees (e.g. auditors, tax agents and other professional fees)	100	-
<b>Total</b>	<b>800</b>	<b>176</b>

- (4) The balance of RM15,000 will be utilised for the working capital requirements of the Group.

## **5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS**

### **5.1 Overview and outlook of the Malaysian economy**

The Malaysian economy recorded a negative growth of 3.4% in the 4<sup>th</sup> quarter (3Q 2020: -2.6%), largely attributable to the imposition of the Conditional Movement Control Order on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

For Malaysia, the momentum in economic recovery was affected by the resurgence in COVID-19 cases and the introduction of targeted containment measures in several states in the 4<sup>th</sup> quarter. While there were minimal restrictions on production capacity, the movement restrictions implemented in selected states partly affected domestic demand during the quarter.

For 2021, while near-term growth will be affected by the re-introduction of stricter containment measures, the impact, however, will be less severe than that experienced in 2020. The growth trajectory is projected to improve from the second quarter onwards. The improvement will be driven by the recovery in global demand, turnaround in public and private sector expenditure amid continued support from policy measures including PENJANA, KITA PRIHATIN, 2021 Budget and PERMAI, and higher production from existing and new facilities in the manufacturing and mining sectors. The vaccine rollout from February onwards is also expected to lift sentiments.

The balance of risks remains tilted to the downside, stemming mainly from ongoing uncertainties surrounding the dynamics of the pandemic and potential challenges that might affect the rollout of vaccines both globally and domestically.

In line with earlier assessments, the average headline inflation was negative at -1.2% in 2020 due mainly to the substantially lower global oil prices. For 2021, headline inflation is projected to average higher, primarily due to higher global oil prices. Underlying inflation, as measured by core inflation, is expected to remain subdued amid continued spare capacity in the economy. The outlook, however, is subject to global oil and commodity price developments.

*(Source: Economic and Financial Developments in the Malaysian Economy in the 4<sup>th</sup> quarter of 2020, Bank Negara Malaysia)*

Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's gross domestic product is expected to contract by 4.5% in 2020, before rebounding between 6.5% and 7.5% in 2021.

*(Source: Economic Outlook 2021, Ministry of Finance Malaysia)*

### **5.2 Overview and outlook of the Information, Communication and Technology (“ICT”) and cybersecurity industry**

The information and communication subsector expanded by 5.8% in the 1<sup>st</sup> half of 2020, primarily supported by higher usage of internet, particularly online transactions, entertainment, educational and work from home activities. The subsector is projected to expand further by 7.1% in the 2<sup>nd</sup> half of the year buoyed by various Government initiatives. The initiatives include a tax exemption of up to RM5,000 for ICT equipment to support work from home activities and individual income tax relief of up to RM2,500 on the purchase of digital devices. For the year, the subsector is anticipated to accelerate by 6.4% as work from home initiatives, virtual communication and online businesses become the new normal. In 2021, the subsector is projected to expand by 7.9% with the fifth-generation cellular network (5G) spectrum facilitating e-commerce and e-learning activities.



The roll-out of the National Fourth Industrial Revolution (4IR) Policy and Digital Economy Task Force, which focusses on digital technology, cybersecurity, trade and digital content is expected to support the acceleration of the subsector.

*(Source: Economic Outlook 2021, Ministry of Finance)*

Telecommunication networks now can be categorised as a third utility. In the new norm, virtual services are becoming more common. The development of infrastructure and upgrading of basic telecommunications networks is necessary to meet the needs of a digital lifestyle.

Moving forward, the Government will focus on long-term productivity through the use of new technology to accelerate the transformation towards a high-income economy. The Government through Malaysia Development Bank (BPMB) has provided the Industrial Digitalization Transformation Scheme valued at RM1 billion, which aims to boost digitalization activities. To that end, the availability of these funds will be extended until 31 December 2023.

In addition, in support of automation and modernization, additional funds amounting to RM150 million will be provided under the small and medium-sized enterprises (“SME”) Digitalization Grant Scheme and the Automation Grant. The eligibility condition for these grants have also been relaxed for micro SMEs and start-ups that have been operating for at least 6 months. Reskilling and upskilling programmes will continue to be implemented. For the year 2021, RM100 million will be allocated to Malaysia Digital Economy Corporation to transition existing workforce to fill the growing needs in the ICT industry.

The Government will allocate RM500 million to implement the National Digital Network initiative, Jalinan Digital Negara to ensure the connectivity of 430 schools throughout Malaysia covering all states. At the same time, Malaysian Communications and Multimedia Commission will allocate RM7.4 billion for year 2021 and 2022 to build and upgrade broadband services. To ensure internet connectivity in institutions of higher learning, the Government has allocated RM50.0 million to upgrade the Malaysian Research & Education Network access line to 500Mbps to 10Gbps.

Cybercrime including digital transaction fraud is one of the new forms of threats to the country. In this regard, the Government has allocated RM27 million to CyberSecurity Malaysia to increase the country’s cyber security.

*(Source: Budget 2021, Ministry of Finance)*

### **5.3 Prospects of the Group**

The Group is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services.

The growth and expansion of the Group has historically been centered on the Group’s presence in the South East Asia region. The revenue from major countries in South East Asia, such as Malaysia, Vietnam, Singapore, the Philippines and Indonesia have accounted for 10.0%, 26.6%, 24.8%, 11.4% and 18.3% respectively, of the Group’s audited revenue for the FYE 31 December 2019. Given Securemetric’s historical track record, the Group intends to tap into further opportunities in the existing markets in which it operates through the following growth strategies:

- (i) office expansion in Malaysia and the establishment of additional regional offices in the Philippines as well as to increase headcounts in the Group’s project management and support, marketing, business development, customer support and technology divisions in Malaysia, Indonesia, Vietnam and the Philippines; and
- (ii) increase in marketing and promotional activities by adopting a proactive marketing strategy through participation in industry events such as seminars, forums, conferences and exhibitions, which are held in countries such as Malaysia, Singapore, Indonesia, Vietnam, the Philippines, Thailand and Myanmar.

These seminars, forums, conferences and exhibitions provide avenues for the Group to gain access to latest developments and know-hows within the IT security industry, to showcase and promote the Group's solutions and products as well as to network with other industry participants.

With the anticipated and sustained growth in the digital security market, the Group will continue to develop solutions with the latest digital security technologies to meet evolving market needs and demands. As part of the Group's strategy to offer additional digital security technologies, the Group had launched CENTAGATE Cloud (a security-as-a-service solution to control, protect and secure application access through single login credential) on 16 January 2020 and SigningCloud (a digital-signing-as-a-service to enable digital signature into electronic documents and transactions) on 29 July 2020.

Premised on the above and the positive outlook of the digital security market, Securemetric is optimistic in managing its business during the current business environment and will continue to keep itself abreast with the needs and requirements of the latest digital security industry demand in curbing the inevitable change of business models and the adaptation thereof to the new business norm moving forward.

*(Source: Management of Securemetric Group)*

## 6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

### 6.1 Share capital

The pro forma effects of the Proposed Private Placement on the share capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
As at the LPD	536,030,000	35,683,874	536,030,000	35,683,874
Assuming full exercise of Outstanding Warrants 2020/2023	-	-	243,500,000	38,960,000 <sup>(1)</sup>
	<b>536,030,000</b>	<b>35,683,874</b>	<b>779,530,000</b>	<b>74,643,874</b>
To be issued pursuant to the Proposed Private Placement	58,476,000	8,595,972 <sup>(2)</sup>	107,176,000	15,754,872 <sup>(2)</sup>
<b>Enlarged share capital</b>	<b>594,506,000</b>	<b>44,279,846</b>	<b>886,706,000</b>	<b>90,398,746</b>

*Notes:*

(1) Assuming full exercise of 243,500,000 Outstanding Warrants 2020/2023 at an exercise price of RM0.16 each into 243,500,000 new Securemetric Shares.

(2) Based on the indicative issue price of RM0.147 per Placement Share.

## 6.2 Net assets and gearing

The pro forma effects of the Proposed Private Placement on the net assets and gearing of the Group, based on its audited consolidated financial statements as at 31 December 2019 are as follows:

### Minimum Scenario

	(Audited)	(I)	(II)
	As at 31 December 2019 (RM)	After subsequent events up to the LPD <sup>(1)</sup> (RM)	After (I) and the Proposed Private Placement (RM)
Share capital	30,453,764	35,683,874	44,279,846 <sup>(2)</sup>
Fair value adjustment reserve	210,169	210,169	210,169
Foreign currency translation reserve	(140,917)	(140,917)	(140,917)
Warrant reserve	-	38,205,150	38,205,150
Other reserve	3,274	(38,201,876)	(38,201,876)
Merger reserve	(11,004,663)	(11,004,663)	(11,004,663)
Retained earnings	19,175,633	19,175,633	19,060,633 <sup>(3)</sup>
<b>Shareholders' funds/ Net assets</b>	<b>38,697,260</b>	<b>43,927,370</b>	<b>52,408,342</b>
No. of shares in issue	243,600,000	536,030,000	594,506,000
Net assets per Share (sen)	15.89	8.19	8.82
Total borrowings (RM)	-	-	-
Gearing (times)	-	-	-

Notes:

(1) After including:

- (a) issuance of 243,600,000 bonus shares on the basis of 1 bonus share for every 1 existing Share, as completed on 20 January 2020;
- (b) issuance of 243,600,000 free warrants ("Warrants") on the basis of 1 Warrant for every 1 existing Share, as completed on 4 February 2020 and exercise of 100,000 Warrants (which were listed on 21 February 2020) at RM0.16 each into 100,000 new Shares; and
- (c) issuance of 48,730,000 Securemetric Shares privately placed at RM0.107 each and listed on 25 June 2020 pursuant to the June 2020 Placement.

(2) Based on the indicative issue price of RM0.147 per Placement Share.

(3) After deducting estimated expenses of RM115,000 for the Proposed Private Placement.

### Maximum Scenario

	(Audited)	(I)	(II)	(III)
	As at 31 December 2019 (RM)	After subsequent events up to the LPD <sup>(1)</sup> (RM)	After (I) and assuming full exercise of Outstanding Warrants 2020/2023 (RM)	After (II) and the Proposed Private Placement (RM)
Share capital	30,453,764	35,683,874	74,643,874 <sup>(2)</sup>	90,398,746 <sup>(3)</sup>
Fair value adjustment reserve	210,169	210,169	210,169	210,169
Foreign currency translation reserve	(140,917)	(140,917)	(140,917)	(140,917)
Warrant reserve	-	38,205,150	-	-
Other reserve	3,274	(38,201,876)	3,274	3,274
Merger reserve	(11,004,663)	(11,004,663)	(11,004,663)	(11,004,663)
Retained earnings	19,175,633	19,175,633	19,175,633	19,060,633 <sup>(4)</sup>
<b>Shareholders' funds/ Net assets</b>	<b>38,697,260</b>	<b>43,927,370</b>	<b>82,887,370</b>	<b>98,527,242</b>
No. of shares in issue	243,600,000	536,030,000	779,530,000	886,706,000
Net assets per share (sen)	15.89	8.19	10.63	11.11
Total borrowings (RM)	-	-	-	-
Gearing (times)	-	-	-	-

Notes:

(1) After including:

(a) issuance of 243,600,000 bonus shares on the basis of 1 bonus share for every 1 existing Share, as completed on 20 January 2020;

(b) issuance of 243,600,000 Warrants on the basis of 1 Warrant for every 1 existing Share, as completed on 4 February 2020 and exercise of 100,000 Warrants (which were listed on 21 February 2020) at RM0.16 each into 100,000 new Shares; and

(c) issuance of 48,730,000 Securemetric Shares privately placed at RM0.107 each and listed on 25 June 2020 pursuant to the June 2020 Placement.

(2) Assuming full exercise of 243,500,000 Outstanding Warrants 2020/2023 at RM0.16 each into 243,500,000 new Shares.

(3) Based on the indicative issue price of RM0.147 per Placement Share.

(4) After deducting estimated expenses of RM115,000 for the Proposed Private Placement.

### **6.3 Earnings and EPS**

The Proposed Private Placement is not expected to have any material effect on Securemetric's earnings and EPS for the financial year ending 31 December 2021 as the Proposed Private Placement may be completed up to 6 months from the date of approval from Bursa Securities whilst the proceeds to be raised are expected to be used over a period of up to 24 months from the date of listing of the Placement Shares.

The issuance of Placement Shares will cause Securemetric's EPS to be diluted as a result of the increase in the number of Securemetric Shares. However, the Proposed Private Placement is expected to contribute positively to the future earnings and EPS of Securemetric when the economic and financial benefits from the use of proceeds are realised.

#### 6.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings in the Company as at the LPD are as follows:

##### Minimum Scenario

	As at the LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Law Seeh Key	177,675,210	33.15	-	-	177,675,210	29.89	-	-
Feitian Technologies Limited <sup>(1)</sup>	40,000,000	7.46	-	-	40,000,000	6.73	-	-
Placee(s)	-	-	-	-	58,476,000	9.84	-	-

##### Maximum Scenario

Name	As at the LPD				(I) Assuming full exercise of Outstanding Warrants 2020/2023			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Law Seeh Key	177,675,210	33.15	-	-	177,675,210	22.79	-	-
Feitian Technologies Limited <sup>(1)</sup>	40,000,000	7.46	-	-	60,000,000	7.70	-	-
Placee(s)	-	-	-	-	-	-	-	-

Name	(II) After (I) and the Proposed Private Placement			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Law Seeh Key	177,675,210	20.04	-	-
Feitian Technologies Limited <sup>(1)</sup>	60,000,000	6.77	-	-
Placee(s)	107,176,000	12.09	-	-

Note:

(1) Held through Affin Hwang Nominees (Asing) Sdn Bhd (Exempt An for Phillip Securities (Hong Kong) Ltd (Client's Account)).

#### 6.5 Convertible securities

As at the LPD, the Company does not have any outstanding options, warrants or convertible securities except for the 243,500,000 Outstanding Warrants 2020/2023.

The Proposed Private Placement will not give rise to any adjustment to the conversion or exercise price and number of the Outstanding Warrants 2020/2023.

### 7. APPROVALS REQUIRED

The Proposed Private Placement is subject to and conditional upon approval being obtained from Bursa Securities for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

**8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE 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 and/or indirect, in the Proposed Private Placement in view of the fact that the Placement Shares will not be placed to them as mentioned in Section 2.2 of this announcement.

**9. DIRECTORS' STATEMENT**

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

**10. ADVISER AND PLACEMENT AGENT**

TA Securities has been appointed as the Adviser and Placement Agent for the Proposed Private Placement.

**11. ESTIMATED TIME FRAME FOR COMPLETION**

Barring unforeseen circumstances, the Board expects the Proposed Private Placement to be completed within 6 months from the date of approval from Bursa Securities.

**12. APPLICATIONS TO THE RELEVANT AUTHORITIES**

The application to Bursa Securities in relation to the Proposed Private Placement is expected to be submitted within 2 weeks from the date of this announcement.

This announcement is dated 22 March 2021.