

3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

	<u>No. of Shares</u>	<u>% *</u>
Public Issue		
- Malaysian Public (via balloting)	42,250,000	5.00
- Eligible Persons	25,350,000	3.00
- Institutional and selected investors	42,249,000	5.00
- Identified Bumiputera investors approved by the MITI	38,024,000	4.50
Offer for Sale		
- Identified Bumiputera investors approved by the MITI	67,598,000	8.00
- Institutional and selected investors	80,273,000	9.50
Total	295,744,000	35.00

Market capitalisation upon Listing (based on the IPO Price and the enlarged total number of 844,972,480 Shares upon Listing) RM[●] million

* Computed based on the enlarged total number of 844,972,480 Shares after our IPO.

Subject to the terms and conditions of this Prospectus, our IPO comprises the Public Issue and Offer for Sale of up to 295,744,000 IPO Shares at our IPO Price of RM[●] per Share. Please refer to Section 4.1 of this Prospectus for further details.

Our Shares directly held by Mega Fortris Global as at the date of our Listing will be placed under moratorium for a period of six months from the date of our Listing. The moratorium shall also apply to the direct and indirect shareholders of Mega Fortris Global, namely Mega Fortris Capital, Dato' Nick Ng, Datuk Adrian Ng, Jor-Hol International Aps, Ole Fast, Claus Vaupell Holmelund, Mette Jordan Holmelund, Ng Brothers Estate, OCBC and LOCAH. Please refer to Section 2.2 of this Prospectus for further details.

3.2 BUSINESS MODEL

Our Company was incorporated in Malaysia under the Companies Act 1965 on 9 April 1998 as a private limited company under the name of Regalcroft Sdn Bhd and is deemed registered under the Act. We are principally involved in investment holding, design and manufacturing of security seals, and trading of related products and services.

We are specialists in security seals supported by two manufacturing facilities and an office in Selangor, Malaysia, and 11 offices in 11 foreign countries as at the LPD. We have the in-house expertise to carry out end-to-end design and manufacturing of security seals including identifying specific needs of target markets and applications, product conceptualisation, design and prototyping, and manufacturing.

Our business activities are as follows:



- Our security seals are designed and manufactured to **prevent goods from being tampered** and **unauthorised access** to provide assurance to our customers on the integrity and security of their goods during transportation and storage.
- We carry out trading and related activities to complement our in-house designed and manufactured security seals. This allows us to (i) **provide convenience** to our existing customers and (ii) **attract new customers**, as we are able to offer a wider range of related products.

3. PROSPECTUS SUMMARY

(i) Design and manufacturing

Our manufacturing facilities in Selangor, Malaysia are equipped with horizontal and vertical injection moulding machines supported by in-house tooling capabilities for the fabrication of moulds, laser marking facilities and manual assembly for certain products. As at the LPD, our annual production capacity of security seals is approximately 548 million pieces per year.

We have security seals that comply with ISO 17712 standards for three different classes including indicative (“I”), security (“S”) and high-security (“H”) classes (valid from 15 June 2023 to 14 June 2024, and renewable on a yearly basis). We submit renewal application for our ISO certifications within 90 days before their expiry dates. Our compliance with ISO 17712 standards requires adherence to specific design requirements to prevent illegal tampering or unauthorised access to goods, which include seal strength, identification and tamper-evidence. The ISO 17712 standards are for mechanical freight container seals but is sometimes also used as an indication of the security level of seals for other applications.

(ii) Trading and related services

We trade load securement products and other related products and services. Load securement products are used to secure cargo and loads inside vessels such as ships, trains, planes and trucks during transportation to prevent load shifting and damage to the products and cargo. The types of load securement products we trade include dunnage bags, polyester cord strapping and lashing systems. Other related products that we trade comprise security tapes and labels, and others related products such as security boxes and bags, TITO tickets, and UV casino scanner.

In addition, we distribute and maintain a playing card security box tracking software system, namely Mega Casino Management System, which enable our customers which are casino operators to track and monitor the movement, status and historical information of the security boxes throughout the supply chain. This includes tracking the movement of the playing cards in the security boxes which are kept in the warehouse till their destruction. The tracking and monitoring of the security boxes can be carried out by scanning the unique barcode marked on the security seals. We source the system from our supplier who is the developer and owner of the said system.

As at the LPD, we have operations in 12 countries (including sales offices in 11 foreign countries) as shown below:

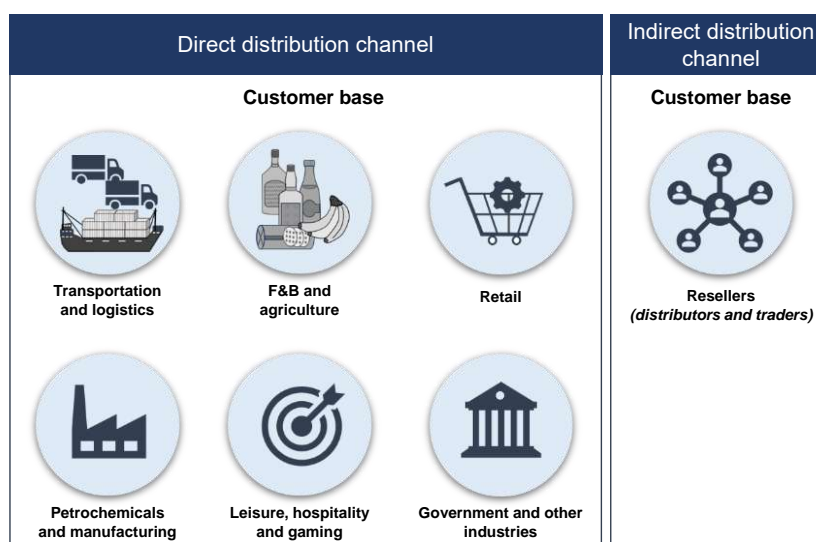


■ Revenue contribution of more than 10% for at least one of the FYE Under Review

3. PROSPECTUS SUMMARY

Our revenue was mainly derived from our combined foreign operations which accounted for 78.65%, 79.27% and 75.48% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively; whilst our operations in Malaysia accounted for 21.35%, 20.73% and 24.52%.

We mainly adopt a direct distribution channel where we market and sell our products directly to customers who are the end-users of our products. We also utilise an indirect distribution channel where we sell our products to resellers who will subsequently resell them to end-users or other resellers, as shown below:



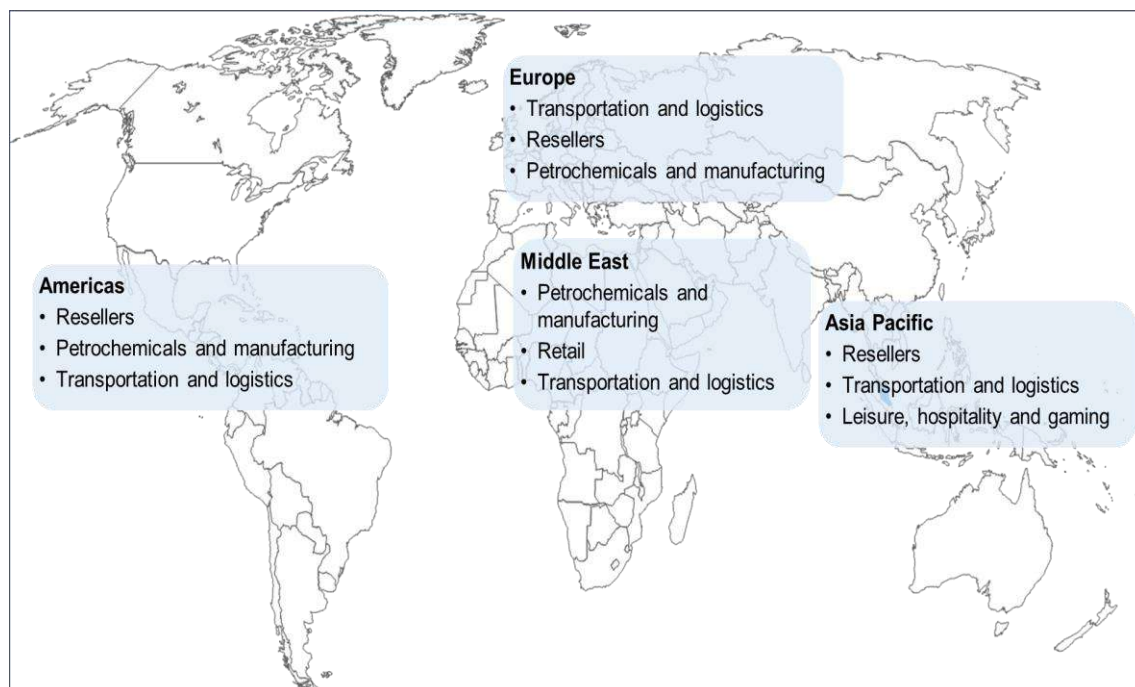
Our revenue from direct distribution channels accounted for 70.35%, 69.86%, and 71.95% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively; whilst our revenue from indirect distribution channels accounted for 29.65%, 30.14% and 28.05%. For the FYE Under Review, the transportation and logistics industry is our largest revenue contributor under the direct distribution channel.

Customer bases/ end-user industries	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Direct distribution	95,043	70.35	108,436	69.86	116,064	71.95
Transportation and logistics	28,061	20.77	27,557	17.75	25,141	15.59
Petrochemicals and manufacturing	21,630	16.01	23,732	15.29	23,843	14.78
F&B and agriculture	12,182	9.02	16,113	10.38	18,346	11.37
Retail	9,702	7.18	11,743	7.57	11,448	7.10
Leisure, hospitality and gaming	4,882	3.61	6,347	4.09	8,789	5.45
Government	5,031	3.72	4,281	2.76	5,149	3.19
Others	13,555	10.04	18,663	12.02	23,348	14.47
Indirect distribution	40,055	29.65	46,775	30.14	45,239	28.05
Resellers	40,055	29.65	46,775	30.14	45,239	28.05
Total revenue	135,098	100.00	155,211	100.00	161,303	100.00

Please refer to Section 7.3.4 for further details on our revenue contribution by distribution channels and customer base for the FYE Under Review.

3. PROSPECTUS SUMMARY

We serve customers in diverse industries within various regions namely, Asia Pacific, Europe, Americas and Middle East regions. This is supported by our office in Selangor, Malaysia and offices 11 foreign countries. For the FYE Under Review, our top three customer bases/end-user industries in each of the regions we serve are set out below:



For the FYE under Review, revenue contribution by the region of operations is set out below:

Revenue by region of operations	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Asia Pacific	42,735	31.63	46,836	30.18	56,363	34.94
Americas	32,464	24.03	42,565	27.42	42,081	26.09
Europe	53,449	39.57	57,866	37.28	53,189	32.98
Middle East	6,450	4.77	7,944	5.12	9,670	5.99
Total revenue	135,098	100.00	155,211	100.00	161,303	100.00

Please refer to Section 7.3 of this Prospectus for further details.

3.3 AWARDS AND RECOGNITIONS

As at the LPD, we have been accredited with the following certifications and management systems:

Certification	Scope	Issuing party	Validity period
ISO 14001: 2015	Design, manufacture and supply of security seals	SGS United Kingdom Ltd	June 2022 – June 2025
ISO 9001: 2015	Design, manufacture and supply of security seals	SGS United Kingdom Ltd	June 2022 – June 2025
ISO 17712: 2013	Design and manufacturing of security seals	SGS United Kingdom Ltd	June 2023 – June 2024

Please refer to Section 7.2 of this Prospectus for further details.

3. PROSPECTUS SUMMARY

3.4 BRAND NAMES, PATENTS, TRADEMARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS

As at the LPD, we have registered over 16 trademarks, 19 patents and 20 industrial designs which are used in our operations in over 30 countries, some of which we have licensed to our distributors for their operations and promotional materials.

Please refer to Section 7.22 and Annexure B of this Prospectus for further details.

3.5 OUR COMPETITIVE STRENGTHS

- (i) We have an **established track record of 28 years** in the security seal industry to serve as a reference and the platform to sustain and grow our business;
- (ii) Our in-house designed and manufactured products are mainly marketed and **sold under our brand “Mega Fortris” to enable us to build brand equity** to sustain and grow our business;
- (iii) We have **patented products that protect our design and innovation** to sustain our competitive advantages;
- (iv) We **have a wide range of security products** that enable us to address a large number of user industries to sustain and grow our business;
- (v) We have **wide geographic coverage (including Asia Pacific, Europe, the Americas and the Middle East)** to provide us with a large addressable market;
- (vi) We **sell to intermediaries such as distributors and traders to enlarge our market coverage** without requiring us to invest in sales resources and infrastructure;
- (vii) We have **offices in 12 countries** to sustain and grow our business;
- (viii) Our products are **essential products for some end-user industries** to ensure the integrity and security of goods during transportation and storage; and
- (ix) We have **experienced Executive Directors and Key Senior Management** to sustain and grow our business.

Please refer to Section 7.5 of this Prospectus for further details.

3.6 OUR BUSINESS STRATEGIES AND PLANS

Our key strategies and plans include expanding facilities in our existing markets in Malaysia and Europe to support our business expansion as well as venturing into a new business which requires us to set up new manufacturing facilities in Selangor, Malaysia and Macao.

3. PROSPECTUS SUMMARY

A summary of our business strategies and plans is as follows:



Please refer to Section 7.19 of this Prospectus for further details.

3.7 UTILISATION OF PROCEEDS

The total gross proceeds of approximately RM[●] million from the Public Issue will be utilised by our Group in the following manner, and as further set out in Section 4.5 of this Prospectus:

Utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the date of our Listing
	(RM'000)	%	
Capital expenditures for:			
(i) establishment of a new UK Factory	[●]	[●]	Within 36 months
(ii) new business venture in Macao	[●]	[●]	Within 36 months
Working capital	[●]	[●]	Within six months
Defray listing expenses	[●]	[●]	Immediate
Total	[●]	100.00	

3.8 RISK FACTORS

Our business is subject to a number of risk factors, many of which may have a material adverse impact on our business operations, financial position and performance. Set out below are the key risks faced by us in our business operations:

- (i) Risks relating to our business and operations
 - (a) we are exposed to risks of damage to our reputation and brand equity, and imitation of our products.
 - (b) we are exposed to risk of foreign exchange rate fluctuation.
 - (c) we are exposed to risk of increase in freight rates.

3. PROSPECTUS SUMMARY

- (d) we are subject to regulations relating to occupational safety and health administration and environment.
- (e) we are dependent on our major licences, permits and regulatory approvals from relevant government authorities and regulatory agencies.
- (f) we are subject to the availability of labour for our production operations and the increasing labour costs.
- (g) we may not be able to realise the anticipated benefits of our future plans.
- (h) we may be exposed to the risks of non-renewal of certain certifications.
- (i) we are dependent on our Executive Directors and Key Senior Management for our continued success and growth of our business.
- (j) we are exposed to the risk of our distributors who use our brand name “Mega Fortris” tarnishing our brand and reputation.
- (k) we are exposed to risks of disruptions to our business operations at our manufacturing plants in Selangor, Malaysia.
- (ii) Risks relating to the industry in which we operate
 - (a) we face competition from other security seal operators in Malaysia and foreign countries.
 - (b) we are subject to the demand from user industries and preferences relating to technological advancements and product innovation.
 - (c) we are subject to adverse economic, social, political and regulatory developments and occurrence of force majeure events.
 - (d) our products are subjected to fluctuations in input material price.

Please refer to Section 9 of this Prospectus for further details.

3.9 OUR DIRECTORS AND KEY SENIOR MANAGEMENT

Name	Designation
Directors	
Dato’ Nick Ng	Non-Independent Non-Executive Chairman
Datuk Adrian Ng	Group Managing Director cum Group Chief Executive Officer
Ng Weng Choi	Non-Independent Executive Director
Shireen Iqbal Binti Mohamed Iqbal	Senior Independent Non-Executive Director
Tan Kok Yang	Independent Non-Executive Director
Lew Siew Yen	Independent Non-Executive Director
Key Senior Management	
Sim Li Huang	Group Chief Finance Officer
Jason Francis White	Group Chief Operating Officer
Ng Foong Yuon	Compliance Director

Please refer to Sections 5.2 and 5.4 of this Prospectus for further details.

3. PROSPECTUS SUMMARY

3.10 OUR PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Details of our Promoters, substantial shareholders, Directors, and Key Senior Management and their shareholdings in our Company (before and after our IPO) are set out below:

Name	Nationality / Country of Incorporation	As at the LPD and before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
<u>Promoters and substantial shareholders</u>									
Dato' Nick Ng	Malaysian	-	-	697,099,480 ⁽¹⁾	100.00	-	-	549,228,480 ⁽¹⁾	65.00
Datuk Adrian Ng	Malaysian	-	-	697,099,480 ⁽¹⁾	100.00	-	-	549,228,480 ⁽¹⁾	65.00
Mega Fortris Capital	British Virgin Islands	-	-	697,099,480 ⁽²⁾⁽³⁾	100.00	-	-	549,228,480 ⁽²⁾⁽³⁾	65.00
Ng Brothers Estate	Malaysian	-	-	697,099,480 ⁽²⁾⁽³⁾	100.00	-	-	549,228,480 ⁽²⁾⁽³⁾	65.00
Mega Fortris Global	Singaporean	697,099,480	100.00	-	-	549,228,480	65.00	-	-
<u>Substantial shareholders</u>									
OCBC	Singaporean	-	-	697,099,480 ⁽²⁾⁽⁴⁾	100.00	-	-	549,228,480 ⁽²⁾⁽⁴⁾	65.00
LOCAH	Singaporean	-	-	697,099,480 ⁽²⁾⁽⁴⁾	100.00	-	-	549,228,480 ⁽²⁾⁽⁴⁾	65.00

Notes:

- (1) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital, Ng Brothers Estate and Mega Fortris Global.
- (2) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Global.
- (3) Mega Fortris Capital and Ng Brothers Estate are associates of each other by virtue of Section 8 of the Act. Accordingly, Mega Fortris Capital and Ng Brothers Estate are deemed to be interested in our Shares as they collectively hold 74.01% of the shares in Mega Fortris Global.
- (4) LOCAH and OCBC are associates of each other by virtue of Section 8 of the Act. Accordingly, LOCAH and OCBC are deemed to be interested in our Shares as they collectively hold 25.99% of the shares in Mega Fortris Global.

Please refer to Sections 5.1, 5.2 and 5.4 of this Prospectus for further details.

3. PROSPECTUS SUMMARY

3.11 FINANCIAL AND OPERATIONAL INFORMATION

The following sets out a summary of our combined financial information for the FYE Under Review, and as further set out in Sections 12 and 13 of this Prospectus:

	Audited		
	FYE 2021	FYE 2022	FYE2023
	RM'000	RM'000	RM'000
<u>Combined statements of profit or loss and other comprehensive income</u>			
Revenue *	135,098	155,211	161,303
GP *	47,791	51,569	61,724
Profit from operations *	9,399	10,829	23,485
PBT *	7,007	8,532	19,725
PAT *	4,556	6,972	15,901

Combined statements of cash flows

Net cash from operating activities	15,824	7,713	19,534
Net cash (used in)/from investing activities	(5,983)	(4,989)	1,524
Net cash used in financing activities	(16,993)	(480)	(15,792)
Net (decrease)/increase in cash and cash equivalents	(7,152)	2,244	5,266
Effect of exchange rate differences	(52)	970	3,664
Cash and cash equivalents at the beginning of the financial year	18,198	10,994	14,208
Cash and cash equivalent at the end of the financial year	10,994	14,208	23,138

Other selected financial information

EBITDA (RM'000)	17,590	19,765	32,200
GP margin (%)	35.38	33.23	38.27
PBT margin (%)	5.19	5.50	12.23
PAT margin (%)	3.37	4.49	9.86

* Only represents results from continuing operations. The results from Mega Fortris South Africa and its 60%-owned subsidiary, Mega Fortris Mzansi have been classified as discontinuing operations for the FYE Under Review as these companies are under a liquidation process.

3.12 DIVIDEND POLICY

We target a payout ratio of up to 30% of our PAT attributable to owners of our Company for each financial year on a consolidated basis after taking into account our Group's working capital requirements, subject to any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements or any plans approved by our Board.

3. PROSPECTUS SUMMARY

The dividends declared and paid by our Group for the FYE Under Review are as follows:

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Dividends declared and paid	4,867	2,038	3,023
Dividends paid:			
- To shareholders	4,578	1,527	1,612
- To minority interests	289	511	1,411
PAT	4,556	6,972	15,901
Dividend payout ratio ⁽¹⁾	106.83%	29.23%	19.01%

Note:

(1) Computed as dividends paid divided by PAT for continuing operations.

From 1 July 2023 up to the LPD, a total dividend of RM0.65 million was declared and paid. The dividends were funded via internally generated funds. As at the LPD, our Company has no intention to declare any further dividends up to the completion of our Listing.

Further details of our dividend policy are set out in Section 12.5 of this Prospectus.