9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY OCCUR EITHER INDIVIDUALLY OR IN COMBINATION, AT THE SAME TIME OR AROUND THE SAME TIME) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP BEFORE INVESTING IN OUR SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are exposed to risk of damage to our reputation and brand equity, and imitation of our products

We have established a reputation among customers in 120 countries as a specialist in security seals, and our brand is recognised by our customers. Their recognition and trust in our brand depend on various factors, such as consistent product quality, effectiveness and reliability, and customer service. Accordingly, any actual or perceived damages, defects, product misbranding or tampering, negative publicity or news making negative accusations may lead to the loss of customers' confidence in our products and/or erosion of our brand equity. If our brand image or reputation deteriorates or if we are unable to continuously maintain the standard of our product quality, our business and financial performance may be materially and adversely affected.

In the past, our customers have not made any product liability claims against us. However, we have encountered isolated cases of complaints from our customers alleging that our products were defective and the packaging of security seals was damaged. Upon the quality and safety inspection conducted by our quality control department and/or third-party investigators, the defective products and damaged packaging were due to mishandling of our products that were not due to us and hence we were not subject to any product liability claims. We cannot assure you that damages, defects, product misbranding or tampering of our products will not occur in the future or that such occurrences will not have any material adverse impact on our business and financial performance.

In addition, we have also registered our intellectual property (including one patent which is in the process of registering) to protect any infringement of our brand trademarks, patents and industrial designs, details of which are set out in Annexure B of this Prospectus. There can be no assurance that we are able to successfully protect our intellectual property (such as preventing third parties from using our intellectual property without authorisation) or renew our duly registered trademarks. Failure to renew or maintain our intellectual property in a timely manner may allow third parties to exploit our intellectual property which in turn may have a material adverse effect on our business and financial performance.

We also possess a significant number of know-hows or trade secrets for our product designs, technologies and manufacturing process, which we believe are material to our business operations and which are not covered by patents. Therefore, we may be exposed to the risk of imitation which may have a material adverse impact on our business operations and financial performance.

9.1.2 We are exposed to risk of unfavourable foreign exchange rate fluctuation

We have business operations in 12 countries comprising 11 foreign countries in various regions including Asia Pacific, Americas, Europe and Middle East as at the LPD. For the FYE Under Review, our revenue was derived from our operations in various countries and regions, including the USA, Europe (United Kingdom, Denmark, Hungary, France and Netherlands), Asia Pacific (Malaysia, Australia, New Zealand, Singapore and Hong Kong) and Middle East (UAE) and most of the transactions were conducted in the respective local foreign currencies where we operate.

Our revenue from foreign operations accounted for 78.65%, 79.27% and 75.48% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively, while our cost of sales from foreign operations accounted for 68.38%, 71.97% and 68.50% of our total cost of sales for FYE 2021, FYE 2022 and FYE 2023 respectively. For our foreign operations, revenue from our USA operation accounted for 24.03%, 27.42% and 26.09% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively, where the financial statements were prepared in the functional currency of USD. The financial statements of our other foreign operations were prepared in the respective functional currencies, namely GBP, DKK, EUR, HUF, AUD, NZD, HKD and SGD.

For the FYE Under Review, the sales of our products from both of our foreign operations and Malaysia operations were transacted in various currencies mainly include USD, GBP, EUR and RM. During the FYE Under Review, USD experienced the highest appreciation in value relative to RM which had positively impacted our Group's total revenue. In addition, we purchased imported input materials and finished goods for our business operations which were also transacted in foreign currencies mainly USD as well as the purchases of input materials domestically in Malaysia which were transacted in RM.

As such, we are exposed to foreign currency risk and any unfavourable foreign currency exchange rate fluctuation may affect our business operations and financial performance through the translation of foreign currencies for the Group's reporting in RM, and transactions conducted in foreign currencies.

Currently, we do not have a hedging instrument to manage our foreign currency risk. However, we have a natural hedge for our foreign currency transactions where some of our purchases and revenue are denominated in the same currency. For FYE 2023, we had a realised gain on foreign exchange of RM0.39 million, and an unrealised loss on foreign exchange of RM0.07 million. The unrealised loss on foreign exchange did not have a material adverse impact to our financial performance.

9.1.3 We are exposed to risk of increase in sea freight rates

We are reliant on sea freight for the delivery of our raw materials, parts and components as we source them from domestic and foreign suppliers. In addition, we also deliver our products to our foreign subsidiaries for marking and distribution to our customers mainly through sea freight. Hence, we are susceptible to sea freight disruptions that may arise due to circumstances that are beyond our control, which include, adverse weather conditions, political turmoil, international market conditions due to trade tension or trade war, social unrest, port strikes and/or congestions, oil spills, delayed or lost shipments.

If there is any sea freight disruption, the replenishment of our raw materials, parts and components may be prolonged and the delivery of our products to our foreign subsidiaries and/or customers will be inadvertently delayed, both of which may in turn affect our sales.

For the FYE Under Review, our freight and logistics costs increased from RM5.55 million in FYE 2021 to RM12.60 million in FYE 2022 due to higher sea freight rates during the period. Please refer to Section 12.3.10 (ii) of this Prospectus for further details on the impact of higher sea freight cost on our business operations and financial performance. Any sustained increase of sea freight rates may increase our cost price which in turn may have an impact on our business and financial performance.

9.1.4 We are subject to regulations relating to occupational safety and health administration and environment

Our business operations are bound by occupational safety and health administration and environment as set out below:

(i) Workplace health and safety hazards

If our employees and sub-contract workers are harmed or injured as they perform their jobs or if we fail to comply with or breach any of the relevant health and safety regulations, our business operations may be suspended or disrupted, and our financial performance may be affected.

During the FYE Under Review and from 1 July 2023 up to the LPD, there have been a total of eight incidents of injury involving our production workers at No. 29 Property and No. 56 Property, all of which have been reported to the Department of Occupational Safety and Health. There were no material injury or harm to the production workers and none that resulted in long term permanent disability. Further, there were also no breach or failure to comply with the relevant health and safety regulations. Apart from No. 29 Property and No. 56 Property, there were no material incidents of injury occurred at our other offices. Nevertheless, there can be no assurance that injury or harm to our employees, or breach or failure to comply with relevant health and safety regulations will not occur in the future.

(ii) Environmental safety breaches

We have operations in 12 countries comprising Malaysia and 11 foreign countries in various regions including Asia Pacific, Americas, Europe and Middle East as at the LPD. Therefore, we are subject to the relevant environmental laws and regulations with respect to our operations in various jurisdictions that, among others, require us to adopt measures and controls with respect to the disposal of scheduled wastes and compliance with other environmental requirements.

In the past, our Group had not complied with the Environmental Quality Act 1974 and Environmental Quality (Scheduled Waste) Regulations 2005. For further details, please refer to Section 7.26.2 (g) of this Prospectus.

Any failure to comply with relevant environmental laws, regulations and standards may subject us to, among others, warnings from relevant regulatory authorities, imposition of fines and/or criminal liability, forced closure of business operations and suspension of relevant permits (depending on the type and severity of violation), which could have a material and adverse impact on our business and financial performance.

9.1.5 We are dependent on our major licences, permits and approvals from relevant government authorities and regulatory agencies

We are required to obtain and hold valid licences, permits and approvals granted by various government authorities and regulatory agencies as they are essential for the conduct and continuity of our business (for example, manufacturing licence and printing licence). Please refer to Annexure A of this Prospectus for further details of our major licences, permits and approvals.

We must also comply with the conditions and/or restrictions that are imposed by the relevant government authorities and regulatory agencies to maintain such licences, permits and approvals. Our licences, permits and approvals may be suspended, withdrawn or terminated if we fail to comply with the applicable requirements or any required conditions. Some of these licences, permits and approvals need to be renewed on a periodic basis or reassessed by the relevant government authorities and regulatory agencies. Failure in obtaining, keeping or renewing the requisite licences, permits and approvals may result in the suspension or restriction of our business operations and in turn, will adversely affect our financial performance.

Our Group has experienced past non-compliance incidents relating to licences, permits and approvals for our business operations, the details of which are disclosed in Section 7.26.2 of this Prospectus. As at the LPD, our Group has not received any notices, penalties, or compounds from the relevant authorities for past non-compliance incidents. However, there can be no assurance that we will not be subject to enforcement actions by the relevant authorities, including cessation or monetary penalties.

9.1.6 We are subject to availability of labour for our production operations and increasing labour costs

Our manufacturing activities require production workers. We are exposed to the availability and the costs of employing production workers who comprise both local and foreign workers. We were impacted by higher labour costs due to (i) shortage of production workers brought on by the hiring freeze on foreign labour in Malaysia between June 2020 and August 2022, and (ii) increase in minimum wage to RM1,500 that took effect on 1 May 2022. Please refer to Section 7.28 of this Prospectus for details on the number of our production workers.

There is no assurance that our financial performance and business operations will not be affected by our inability to attract or retain production workers. A substantial shortage in the supply of production workers may disrupt our operations and result in delay or failure to meet our production schedules and demand for our products.

Further, our plan to establish a New UK Factory and to venture into a new business to provide a total solution in supplying and handling of playing cards in sealed security boxes in Malaysia and Macao ("**New Business Venture**") requires us to recruit employees to support the new business operations. If our Group is unable to employ sufficient employees to oversee and execute our business operations, we may not be able to execute our future plans in a timely manner.

9.1.7 We may not be able to realise the anticipated benefits of our future plans

Our business strategies and future plans focus on the expansion of our production facilities in Selangor, Malaysia, setting up the New UK Factory, and undertaking the New Business Venture. Our implementation of these business strategies and future plans is subjected to (i) significant capital expenditure that includes the purchase of machinery and equipment, setup costs (including renovation costs), (ii) availability of human resources and experience, and (iii) changes with regulatory rules and conditions. Please refer to Section 7.19 of this Prospectus for further information on our business strategies and future plans.

There can be no assurance that we can successfully execute our business strategies and future plans, and be able to anticipate all the risks and uncertainties such as the delay in delivery and installation of machinery. Hence, our prospect and future business growth are dependent on our ability to implement and execute our strategies and plans effectively and promptly. Any failure in executing our business strategies and future plans may have a material and adverse impact on our business and future financial performance.

In addition, we cannot provide any assurance that our New Business Venture will be commercially successful as we have no direct playing card manufacturing experience. Further, we may be exposed to competition risk in the markets we will be serving and risk associated with our future arrangement with the sub-contractor in Macao.

9.1.8 We may be exposed to risks of non-renewal of certain certifications

A number of our products are required to adhere to ISO 17712:2013 standard to meet specific design requirements to prevent illegal tampering or unauthorised access to goods, and ISO 9001:2015 standard for our business operations. Please refer to Section 7.2 and Annexure A of this Prospectus for a list of our ISO certificates. In the past, there has not been any failure to renew our ISO certifications. However, if our Group fails to maintain compliance with these certifications, we may be unable to meet the requirements of certain customers or disqualified from selling our products to some of our customers. In such instance, this may adversely affect our business and financial performance.

9.1.9 We are dependent on our Group Managing Director cum Group Chief Executive Officer and Key Senior Management for our continued success and growth of our business

The continuing success of our Group is dependent on the efforts, experiences and industry knowledge of our Executive Directors and Key Senior Management, who play a significant role in the day-to-day operations as well as the implementation of our business strategies.

Our Group Managing Director cum Group Chief Executive, namely Datuk Adrian Ng has been instrumental for the growth of our Group. He is directly responsible for the formulation of the overall direction and business development strategies of our Group. He is supported by our Key Senior Management, who possess the relevant knowledge in their respective fields of work to ensure the smooth operations of our business. Please refer to Sections 5.1.2, 5.2.2 and 5.4.3 of this Prospectus for the profiles of our Executive Directors and Key Senior Management.

There can be no assurance that we will be successful in retaining our Executive Directors and/or Key Senior Management or ensuring a smooth succession if any changes occur. Any loss of any of our Executive Directors and/or Key Senior Management, without any suitable and prompt replacement, may adversely impact our Group's business operations and financial performance. Please refer to Section 7.27 of this Prospectus for information on our management's succession planning.

9.1.10 We are exposed to the risk of our distributors who use our brand name "Mega Fortris" tarnishing our brand and reputation

We have entered into distributorship agreements with our distributors who will resell our products to their network of customers and their respective territories. In the distributorship agreements, we have granted some of our distributors certain rights to use our "Mega Fortris" trademark subject to the terms of the distributorship agreements. Please refer to Section 7.22 of this Prospectus for further details.

There can be no assurance that these distributors will uphold the reputation of our trade name. We have limited control over these distributors' conduct of business and compliance with applicable rules and regulations. Any poor conduct of their business or violations of applicable laws could reflect negatively on our business, reputation, and financial performance.

9.1.11 We are exposed to risks of disruptions to our business operations at our manufacturing plants in Selangor, Malaysia

Our manufacturing process is dependent on the continuous supply of electricity and may also be disrupted by unforeseen events such as fire outbreak and flood. Any disruption to our manufacturing process could materially and adversely affect our Group's production schedules and as a result, adversely affect our business and financial performance. There can be no assurance that such incidences will not happen in the future, which may result in interruptions to our operations and adversely affect our business and financial performance.

9.1.12 We are subject to default payments by our former subsidiaries

We have receivables that relate to amounts owing to us by our former subsidiaries namely:

(i) MFIB, a distributor of our Group; and

(ii) MFSS and its wholly owned subsidiary MIOT. MFSS supplies a security box tracking software system, namely Mega Casino Management System, to our Group, and we do not have any software license agreement with MFSS.

The amounts due from MFIB and MFSS (and MIOT) include the advances provided by our Group to them (at the point that these companies were subsidiaries of our Group) for working capital purposes.

Our Group had disposed MFIB on 2 May 2023, and MFSS and MIOT on 3 April 2023. MFIB was sold to Ole Fast (an individual who holds 3.38% equity interest in Mega Fortris Capital). MFSS (together with MIOT) was sold to Sunny Tan Kah Wei. Pursuant to the disposals, MFIB and Sunny Tan Kah Wei had entered into arrangements within our Group respectively to repay the amounts due to our Group. Please refer to Section 15.6 of this Prospectus for further details.

The amounts outstanding from MFIB and MFSS (and MIOT) for the FYE Under Review and as at the LPD are as follows:

Former subsidiaries	Amount outstanding as at			
	30 June 2021	30 June 2022	30 June 2023	LPD
	RM'000	RM'000	RM'000	RM'000
MFIB	2,213	5,075	6,323	5,491
MFSS and MIOT	3,222	3,677	5,839	4,585
	5,435	**8,752**	**12,162**	**10,076**

These receivables are not covered by collateral or credit insurance. Accordingly, if there are any delays in collections and non-recoverability of other receivables from MFIB and MFSS (and MIOT), we may face cash flow constraints and also the risk of having to impair these other receivables. This in turn may result in a material adverse impact on our financial performance.

If the total outstanding amount from our former subsidiaries as at the LPD of approximately RM10.08 million is irrecoverable and fully impaired, the potential impact to our Group's PAT is RM10.08 million which represent approximately 63.37% of our Group's PAT for FYE 2023.

Notwithstanding the above, as at the LPD, MFIB and MFSS (and MIOT) had paid the amounts due to our Group based on the agreed repayment terms, and we have not experienced any reduced payments (i.e., partial payments) or non-payments from MFIB and MFSS (and MIOT) respectively. In addition, our Group has provided allowance for expected credit losses and bad debts written off in relation to the amount due from our former subsidiaries, as shown below:

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
MFIB	315.40	1,235.49	-
% of Group's PAT	**6.92%**	**17.72%**	**-**
MFSS (and MIOT)	-	-	689.44
% of Group's PAT	**-**	**-**	**4.34%**

If there is an occurrence of circumstances that affect our former subsidiaries' ability or willingness to pay us, we may be required to write-off the uncollectible trade receivables as expected credit losses and bad debts.

9.1.13 We are exposed to inflation risk

We are exposed to inflation risk, which may arise from various factors outside of our Group's control such as disruption to the supply of input materials, disruption to the supply chain, and geopolitical tensions. Such inflationary pressures may lead to an increase in the price of input materials that our Group purchase, which would lead to higher purchase costs and further reduce our profit margins.

Our Group may incur additional cost if the increase in cost cannot be passed on to our customers which may affect our overall Group's financial performance. Inflation may also affect our customers, and lead to decreases in consumer spending and demand for our products. If there is a prolonged decrease in demand from our customers, our business and financial performance may be adversely affected.

9.1.14 Our financial performance, and business may be affected if the COVID-19 pandemic is prolonged or by an occurrence of a similar epidemic or pandemic in the future

Our business operations were affected by the economic and other disruptions related to the COVID-19 pandemic in Malaysia and in countries that we operate and/or transact business. This has impacted our sales performance in 4th quarter of FYE 2021 (April to June 2021) which decreased by 20.67% to RM29.22 million compared to RM36.83 million in 3rd quarter of FYE 2021 (January to March 2021) where we faced reduced workforce capacity which affected our production as a result of the containment measures implemented in June 2021. Subsequently, our revenue recovered to RM37.33 million in 1st of quarter FYE 2022 (July to September 2021). Nevertheless, the COVID-19 pandemic did not have a material adverse effect on our financial performance in FYE 2022 where our revenue increased by 14.89% to RM155.21 million in FYE 2022.

During the COVID-19 period and pursuant to Government's directive, we temporarily suspended our manufacturing operations in Selangor, Malaysia in March 2020, June 2021 and July 2021, and operated at a reduced capacity. Please refer to Section 12.3.10(iii) of this Prospectus for further information on the impact of COVID-19 pandemic on our business and financial performance.

There can be no assurance that the COVID-19 pandemic or any other epidemics or pandemics will not have an impact on our business and financial performance in the future.

9.1.15 We are exposed to the risk of inadequate insurance coverage

We have in place insurance policies that cover, amongst others, fire, burglary and public liability. All these insurance policies are subject to exclusions and limitations of liability both in amount and insured events. However, there can be no assurance that our insurance policies would be adequate to cover the losses and damages incurred by us in the course of our business operations.

In addition, all of our insurance policies are subject to periodic renewal, which may involve changes in the insurance premium, terms and policy limits. If there is a significant increase in our insurance premium, we may incur higher costs to renew our insurance policies. Further, there can be no assurance that such insurance policies will continue to be available to us based on acceptable terms and costs.

9.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

9.2.1 We face competition from other security seal operators in Malaysia and foreign countries

We face competition from other security seal operators that are based in Malaysia as well as in foreign countries that are capable of offering similar products and services. We may also face competition from new entrants that seek to establish themselves in the industry from time to time.

The barriers to entry for the design and manufacture of security seal is mainly predicated on the need for skills and experience in the design of seals, capital investments in machinery and equipment, working capital for the purchase of input materials and stocking finished goods, and gaining the confidence of potential buyers in the effectiveness and quality of their products. Part of the design of seals also includes capabilities in meeting the requirements of various countries' regulations and industry standards, as well as technical expertise in compounding of plastic materials and selecting other input materials in optimising cost and effectiveness. *(Source: IMR Report)*

We generally compete on a variety of factors including, among others, price competitiveness, financial strength in term of working capital to have ready supply for prompt shipment to customers, availability or willingness in investing in machinery and equipment, adequate production capacity, availability of skilled resources, quality of products and services, customer service, promptness in delivery, track record and market reputation.

There can be no assurance that we will continue to remain competitive against existing and prospective competitors. Consequently, there can be no assurance that our existing customers will continue to issue purchase orders to us in the future. Failure to remain competitive, adapt quickly to changing market conditions and trends, and ability to secure new purchase orders will have an adverse effect on our future business and financial performance.

9.2.2 We are subject to the demand from user industries and preferences relating to technological advancements and product innovation

Our business is dependent on user industries' performance. If there is any negative performance in user industries, it would lead to lower demand for security seals. Some of the factors that may affect user industries performance include political, economic, social and regulatory factors, changes in market trends and consumer preferences, and new/enhanced products replacing existing products. The level of trade activities as well as container throughput will have a direct impact on the demand for security seals. Importers and exporters rely on security seals to safeguard against tampering, theft and unauthorised access during cross border trades.

Our business is also subjected to changes in user preferences such as those relating to technological advancements including electronic seals utilising radio-frequency identification or global positioning system technologies. These types of electronic seals incorporate tamper evident features like electronic identification, tracking and monitoring capabilities. User preferences may also switch to use of environmentally responsible materials such as the use of recycled or biodegradable plastics.

Any material changes in regional and global performance of user industries and/or failure to keep abreast of technological advancements and user preferences may have an adverse impact on our business and financial performance.

9.2.3 We are subject to adverse economic, social, political and regulatory developments and occurrence of force majeure events

We derive revenue from our Malaysian operations as well as operations in 11 foreign countries as at the LPD. Any adverse developments in the economic, social, political and regulatory conditions in the countries where we have operations may impact negatively on our business and financial performances. Our operations may also be affected by geopolitical events, such as the Russia-Ukraine and Israel-Gaza conflicts, disruptions in shipping routes such as the Suez Canal-Red Sea route and force majeure events such as the emergence of the COVID-19 pandemic in Malaysia and in countries that we operate and/or transact business, which may adversely affect our financial performance and business prospects.

Occurrence of adverse events may cause, among others, our customers to defer, reduce or terminate purchase orders or compel us to reduce our product prices to stay competitive, which would have a material adverse effect on our business and financial performance.

9.2.4 Our products are subjected to fluctuations in input material prices

We utilise various input materials for our security seal production operations including plastic materials mainly polypropylene as well as metal components made of carbon steel, stainless steel and aluminium. These materials are commodities, traded globally and are subject to fluctuation in global prices. Any sustained price increases or negative price fluctuations may increase our cost price which in turn may have an impact on our financial performance.

The average prices of polypropylene, wire rod, stainless steel drawn bar and aluminium increased mainly due to factors including, among others, supply chain disruptions due to the COVID-19 pandemic, increased demand as a result of global economic recovery, rising raw material prices and supply concerns amid the geopolitical tensions. The higher average prices of input materials will lead to higher production costs for manufacturers of security seals. In October 2023, the average prices of polypropylene, wire rod, stainless steel bright drawn bar and aluminium experienced declines mainly due to weaker demand for these input materials.
(Source: IMR Report)

We purchased plastic resins for our injection moulding operation for the manufacture of plastic based security seals, and the prices of the plastic resins increased during the FYE Under Review. This was reflected in our average purchase price of plastic resins which grew by 16.26% per tonne in FYE 2022. In FYE 2023, the average purchase price of plastic resins declined by 10.50% per tonne. If there is a sustained or significant increase in the prices of input materials, this will result in the increase in product costs which will affect our financial performance if we are unable to pass on the increased cost promptly.

As such, there is no certainty that we will be able to pass on all the increased costs to our customers in the future should there be any unfavourable fluctuations and sustained high material prices which may result in higher prices for our security seals and in turn, may negatively impact our financial performance.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There has been no prior market for our Shares and it is uncertain whether an active market will ever develop

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, whether such market can be sustained.

Notwithstanding that our IPO Price was determined after taking into consideration various factors as set out in Section 4.3 of this Prospectus, we cannot assure you that our IPO Price will correspond to the price at which our Shares will trade on the Main Market upon our Listing and that the market price of our Shares will not decline below our IPO Price as it may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perception of our Group, market and economic conditions, general industry conditions, and our operating results.

9.3.2 We may not be able to pay dividends to our shareholders

Our ability to declare dividends to our shareholders will depend on, among others, our future financial performance, distributable reserves and cash flows. This, in turn, is dependent on market demand, and our operating results, capital requirements and ability to implement our future plans. We may also be required to obtain the approval of certain of our financiers in order to declare dividends. As such, there is no assurance that we will be able to pay dividends to our shareholders.

You should note that any statement on the payment of dividends in this Prospectus merely describes our Company's present intention. This shall neither constitute a legally binding obligation or statement on our Company nor a guarantee by our Board. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Please refer to Section 12.5 of this Prospectus for a description of our dividend policy, and Annexure C of this Prospectus for details of repatriation of capital and remittance profit from our foreign Subsidiaries.

9.3.3 Our Share price and trading volume may be volatile

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include changes in analysts' recommendations or projections, economic and political conditions of our country as well as the growth potential of the security seals industry.

In addition, the trading price and volume of our Shares is dependent on external factors such as the performance of the world exchanges and the inflow or outflow of foreign funds. These factors will contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.4 The interests of our Promoters and substantial shareholders who control our Company may not be aligned with the interests of other shareholders

Our Promoters and substantial shareholders via their direct and/or indirect interests in our Company, will collectively hold an aggregate of 549,228,480 Shares, representing approximately 65.00% of our enlarged number of issued Shares upon our Listing. As a result, our Promoters and substantial shareholders will be able to have effective control over the business direction and management of our Company including the election of Directors, the timing and payment of dividends, and have the ability to influence the outcome of certain matters requiring the vote of our shareholders unless our Promoters and substantial shareholders and persons connected with them are required to abstain from voting either by requirement of law and/or by the relevant guidelines or regulations. Therefore, there may be a risk where the interests of our Promoters and substantial shareholders are not aligned with those of our other shareholders.

Notwithstanding the above, we have in place the Audit Committee, consisting of our Independent Non-Executive Directors, which functions to assist our Board in making decisions that are in our shareholders' best interest based on our internal control systems. Please refer to Section 5.3.2 of this Prospectus for further details on the duties and responsibilities of our Audit Committee.

9.3.5 Possible sale of a substantial number of Shares in the public market following our IPO could adversely affect the price of our Shares

Upon the completion of our IPO and Listing, we will have 844,972,480 Shares in issue, of which up to 295,744,000 Shares, representing 35.00% of our enlarged issued Shares, will be held by investors participating in our Listing, and approximately 65.00% will be held by our Promoters and substantial shareholders via their direct and/or indirect interests in our Company. Our Shares sold in our Listing will be traded on the Main Market following our Listing.

It is possible that our Promoters and/or substantial shareholders may dispose of some or all of our Shares that they hold after the moratorium period, pursuant to their own investment objectives. If our Promoters and/or substantial shareholders have caused Mega Fortis Global to sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price for our Shares could be adversely affected.

9.3.6 Delay or failure of our Listing

Our Listing may be potentially delayed or aborted due to the occurrence of certain events, which include the following:

(i) our Joint Underwriters exercising their rights pursuant to the Underwriting Agreement to discharge themselves from their obligations thereunder;

(ii) if we are unable to meet the public shareholding spread requirements under the Listing Requirements of having at least 25.00% of our total number of Shares for which our Listing is sought, being held by a minimum number of 1,000 public shareholders holding not less than 100 Shares at the point of our Listing; and

(iii) the revocation of the approvals from the relevant authorities prior to our Listing for whatever reason.

9. RISK FACTORS

Where prior to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or such other person who received the monies shall repay all monies paid for the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted, investors will not receive any IPO Shares, all monies paid for all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either:

   (a) the consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

   (b) a solvency statement from our Directors.