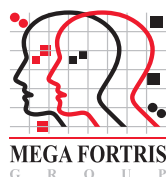


THIS DOCUMENT HAS NOT BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA ("SC"). THE INFORMATION IN THIS DOCUMENT MAY BE SUBJECT TO FURTHER AMENDMENTS BEFORE BEING REGISTERED BY THE SC. UNDER NO CIRCUMSTANCES SHALL THIS DOCUMENT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES.



MEGA FORTRIS BERHAD

(formerly known as Mega Fortris (Malaysia) Sdn Bhd)

(Registration No. 199801004408 (460535-H))

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

INITIAL PUBLIC OFFERING ("IPO") OF UP TO 295,744,000 ORDINARY SHARES IN MEGA FORTRIS BERHAD (FORMERLY KNOWN AS MEGA FORTRIS (MALAYSIA) SDN BHD) ("MEGA FORTRIS" OR "COMPANY") ("SHARES") IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED SHARES OF MEGA FORTRIS ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING:

- (I) **PUBLIC ISSUE OF 147,873,000 NEW SHARES ("ISSUE SHARES") IN THE FOLLOWING MANNER:**
- (A) **42,250,000 ISSUE SHARES TO THE MALAYSIAN PUBLIC;**
 - (B) **25,350,000 ISSUE SHARES TO THE ELIGIBLE DIRECTORS AND EMPLOYEES OF MEGA FORTRIS AND ITS SUBSIDIARIES ("MEGA FORTRIS GROUP"), AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE MEGA FORTRIS GROUP;**
 - (C) **38,024,000 ISSUE SHARES TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY BY WAY OF PRIVATE PLACEMENT; AND**
 - (D) **42,249,000 ISSUE SHARES TO INSTITUTIONAL AND SELECTED INVESTORS BY WAY OF PRIVATE PLACEMENT; AND**
- (II) **OFFER FOR SALE OF UP TO 147,871,000 EXISTING SHARES ("OFFER SHARES") IN THE FOLLOWING MANNER:**
- (A) **UP TO 80,273,000 OFFER SHARES TO INSTITUTIONAL AND SELECTED INVESTORS BY WAY OF PRIVATE PLACEMENT; AND**
 - (B) **UP TO 67,598,000 OFFER SHARES TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY BY WAY OF PRIVATE PLACEMENT,**

AT AN IPO PRICE OF RM[•] PER SHARE, PAYABLE IN FULL UPON APPLICATION AND SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AS SET OUT IN THIS PROSPECTUS

Sole Principal Adviser, Joint Underwriter and Joint Placement Agent

Joint Underwriter and Joint Placement Agent



RHB INVESTMENT BANK BERHAD

(Registration No. 197401002639 (19663-P))

(A Participating Organisation of Bursa Malaysia Securities Berhad)



AmInvestment Bank

AMINVESTMENT BANK BERHAD

(Registration No. 197501002220 (23742-V))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX MONTHS FROM THE DATE OF THIS PROSPECTUS.

[THE SECURITIES COMMISSION MALAYSIA ("SC") HAS APPROVED THE ISSUE, OFFER OR INVITATION OF OUR IPO] AND THIS PROSPECTUS [HAS BEEN REGISTERED] BY THE SC. THE SAID APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 253.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA

THIS PROSPECTUS IS DATED [•]

All defined terms used in this Prospectus are defined under “Definitions” commencing on page xii and “Glossary of Technical Terms” commencing on page xxii.

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

RHB Investment Bank, being our Sole Principal Adviser acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

[Our Company has obtained the approval of Bursa Securities for the listing of and quotation for our Shares]. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

[This Prospectus, together with the Application Forms, has also been lodged with the Registrar of Companies], who takes no responsibility for its contents.

You should rely on your own evaluation to assess the merits and risks of your investment in our Shares. If you are in doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

This Prospectus is prepared and published solely for our IPO. Our Shares are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Selling Shareholder, Sole Principal Adviser, Joint Underwriters and Joint Placement Agents have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Selling Shareholder, Principal Adviser, Joint Underwriters and Joint Placement Agents, or any of their respective directors or any other persons involved in our IPO.

This Prospectus has been prepared and published in the context of an IPO under the laws of Malaysia. It does not and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

Accordingly, this Prospectus may not be used for the purpose of, and does not constitute an offer for, subscription or purchase or invitation to subscribe for or purchase, any of our Shares being offered in our IPO in any jurisdiction or in any circumstances in which such an offer is not authorised or lawful, or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares offered under our IPO in certain jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection with it.

It is your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in this Prospectus and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection with it. However, we reserve the right in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which our IPO or you are or might be subjected. We, our Sole Principal Adviser, Joint Underwriters and Joint Placement Agents any other advisers in relation to our IPO shall not accept any responsibility or liability if any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium. Your Internet Share Application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of the Electronic Prospectus, you should immediately request from us or our Issuing House a paper / printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper / printed copy of this Prospectus for any reason whatsoever, the contents of the paper / printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites ("**Third Party Internet Sites**") whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

- (i) we and our Sole Principal Adviser do not endorse and are not affiliated in any way with the Third-Party Internet Sites. Accordingly, we and our Sole Principal Adviser are not responsible for the availability of, or the contents or any data, file, information or other materials provided on the Third-Party Internet Sites. You shall bear all risks associated with the access to or use of the Third-Party Internet Sites;
- (ii) we and our Sole Principal Adviser are not responsible for the quality of products or services in the Third-Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third-Party Internet Sites. We and our Sole Principal Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance on any data, files, information or other materials provided by such parties; and
- (iii) any data, file, information or other material downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We and our Sole Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, file, information or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are liable for the integrity of the contents of an Electronic Prospectus to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of the Electronic Prospectus, which has been obtained from the web server of the Internet Participating Financial Institutions and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium; and
- (iii) the Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or cost that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

An indicative timetable of our IPO is set out below:

Event	Dates
Opening date of our IPO	10.00 a.m., [●]
Closing date of our IPO	5.00 p.m., [●]
Balloting of Applications	[●]
Allotment / transfer of our IPO Shares to successful applicants	[●]
Listing	[●]

If there are any changes to this timetable, we will advertise a notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia, and make an announcement on Bursa Securities' website.

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PRESENTATION OF INFORMATION AND OTHER INFORMATION

All references to “our Company” or “Mega Fortris” in this Prospectus are to Mega Fortris Berhad. All references to “Mega Fortris Group” or “our Group” in this Prospectus are to our Company and our subsidiaries, taken as a whole. All references to “we”, “us”, “our” or “ourselves” are to our Company, and where the context otherwise requires, our Group.

All references to “you” are to our prospective investors.

Unless the context otherwise requires, references to “management” in this Prospectus are to our Directors and Key Senior Management as at the date of this Prospectus. Statements as to our beliefs, expectations, estimates and opinions are those of our management.

In this Prospectus, all references to the “Government” are to the Government of Malaysia. All references to the “Selling Shareholder” in this Prospectus is to Mega Fortris Global.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousands or two decimal places. Any discrepancies in the tables between amounts listed and the total amount in this Prospectus are due to rounding adjustments. Other abbreviations and acronyms used in this Prospectus are defined in the “Definitions” section and technical terms used in this Prospectus are defined in the “Glossary of Technical Terms” section.

Words denoting the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include natural persons, firms, companies, bodies corporate and corporations.

Any reference in this Prospectus to any provisions of the statutes, rules, regulations, enactments, guidelines or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments, guidelines or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments, guidelines or rules of stock exchange for the time being in force.

Any reference to a date and time in this Prospectus shall be a reference to Malaysian time, unless otherwise stated. Any reference to the “LPD” in this Prospectus is to 15 February, being the latest practicable date before the registration of this Prospectus with Bursa Securities.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate and our estimated market share in the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originated from us or is extracted from the IMR Report provided in Section 8 of this Prospectus. We have appointed Vital Factor Consulting Sdn Bhd to provide an independent assessment of the security seal industry. In compiling its data for the review, Vital Factor Consulting Sdn Bhd relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry.

We believe that the information on the industry as contained in this Prospectus and the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the market and industry in which we operate. Third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We cannot assure you that the projections will be achieved and you should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to our website does not form part of this Prospectus and you should not rely on that information for the purpose of your decision whether or not to invest in our Shares. If there is any discrepancy between the contents of such website relating to our Group and this Prospectus, the information contained in this Prospectus shall prevail.

PRESENTATION OF INFORMATION AND OTHER INFORMATION

EBITDA and the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the IFRS and MFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under the IFRS and MFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with the IFRS or MFRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, and hence, a direct comparison of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

We believe that EBITDA may facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expenses). EBITDA has been presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-IFRS and non-MFRS financial measures when reporting their results. Finally, EBITDA is presented as a supplemental measure of our ability to service debt. Nevertheless, EBITDA has limitations as an analytical tool, and prospective investors should not consider it in isolation from or as a substitute for analysis of our financial condition or results of operations, as reported under the IFRS and MFRS. Due to these limitations, EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of our business.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and prospects, and objectives of our Group for future operations, are forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Group's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) demand for our products and services, and general industry environment;
- (ii) our business strategies, trends and competitive position;
- (iii) our plans and objectives for future operations;
- (iv) our financial performance and financing plan including earnings, cash flows and liquidity;
- (v) potential growth opportunities;
- (vi) our ability to pay dividends; and
- (vii) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) future regulatory or government policy changes affecting us or the markets in which we operate or may operate;
- (iii) activities and financial health of our customers, suppliers, other business partners and distributors;
- (iv) finance cost, interest rates, tax rates and foreign exchange rates;
- (v) delays, cost overruns, shortages in labour and other changes that impact the execution of our expansion plans;
- (vi) competitive environment in the industry in which we operate;
- (vii) reliance on approvals, certificate licenses and permits;
- (viii) continued availability of capital and financing;
- (ix) significant capital expenditure requirements;
- (x) the cost and availability of adequate insurance coverage;

FORWARD-LOOKING STATEMENTS

- (xi) availability and fluctuations in prices of raw materials;
- (xii) fixed and contingent obligations and commitments;
- (xiii) changes in accounting standards and policies; and
- (xiv) any other factors beyond our control which include terrorist acts, pandemics, epidemics or natural disasters.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 9 of this Prospectus on “Risk Factors” and Section 12.3 of this Prospectus on “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD based on information available to us as at the LPD.

Should we become aware of any subsequent significant change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment / transfer of our IPO Shares, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP

Mega Fortris or Company	:	Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn Bhd) (Registration No. 199801004408 (460535-H))
Mega Fortris Americas	:	Mega Fortris Americas, Inc (Registration No. 0100906973)
Mega Fortris AUS	:	Mega Fortris (Australia) Pty Ltd (Registration No. 118019837)
Mega Fortris BNL	:	Mega Fortris BNL B.V. (Registration No. 74045164)
Mega Fortris Europe	:	Mega Fortris (Europe) ApS Ltd (Registration No. 26574315)
Mega Fortris France	:	Mega Fortris France SAS (Registration No. 488301193)
Mega Fortris Group or Group	:	Mega Fortris and the Subsidiaries, collectively
Mega Fortris HK	:	Mega Fortris (HK) Limited (Registration No. 735439)
Mega Fortris HU	:	Mega Fortris HU Kft (Registration No. 01-09-735171)
Mega Fortris LSN	:	Mega Fortris Load Secure Nordic ApS (Registration No. 36687215)
Mega Fortris ME	:	Mega Fortris ME FZCO (Registration No. DSO-FZCO-CF-200)
Mega Fortris Mzansi	:	Mega Fortris Mzansi (Pty) Ltd (Registration No. 2016/110814/07)
Mega Fortris NZ	:	Mega Fortris New Zealand Limited (Registration No. 274140)
Mega Fortris Security Bags	:	Mega Fortris Security Bags (Malaysia) Sdn Bhd (Registration No. 200201003636 (571299-U))
Mega Fortris SG	:	Mega Fortris (Singapore) Pte Ltd (Registration No. 200103655R)
Mega Fortris South Africa	:	Mega Fortris South Africa (Pty) Ltd (Registration No. 2013/223973/07)
Mega Fortris UK	:	Mega Fortris (UK) Limited (Registration No. 03303919)
Mega Pandai	:	Mega Pandai Global Sdn Bhd (Registration No. 201901033203 (1342533-W))
Fortrich Manufacturing	:	Fortrich Manufacturing (M) Sdn Bhd (Registration No. 200101022456 (558214-U))
Subsidiaries	:	Collectively, Mega Fortris Americas, Mega Fortris AUS, Mega Fortris BNL, Mega Fortris Europe, Mega Fortris France, Mega Fortris HK, Mega Fortris HU, Mega Fortris LSN, Mega Fortris ME, Mega Fortris Mzansi, Mega Fortris NZ, Mega Fortris Security Bags, Mega Fortris SG, Mega Fortris South Africa, Mega Fortris UK, Mega Pandai, and Fortrich Manufacturing

DEFINITIONS

GENERAL

Acquisitions	: Acquisitions by our Company of the following:
	(i) the entire issued share capital of Mega Fortris Europe from Mega Fortris Global for a purchase consideration of RM14,536,221.00;
	(ii) the entire issued share capital of Mega Fortris Americas from Mega Fortris Global for a purchase consideration of USD3,421,444.00 (equivalent to RM15,762,593.00),
	(iii) 75.00% of the issued share capital of Mega Fortris AUS from Mega Fortris Global for a purchase consideration of AUD681,429.00 (equivalent to RM2,045,445.00); and
	(iv) 75.00% of the issued share capital of Mega Fortris NZ from Mega Fortris Global for a purchase consideration of NZD491,224.00 (equivalent to RM1,367,715.00),
	that have been fully satisfied via the issuance of 33,711,974 new Shares, which were completed on 30 June 2023.
Acquisitions of Mega Fortris Security Bags' Minority Interests	: Acquisition by the Company of the following:
	(i) 33.71% of the issued share capital of Mega Fortris Security Bags from Dato' Nick Ng for a purchase consideration of RM1,021,648.99; and
	(ii) 3.43% of the issued share capital of Mega Fortris Security Bags from Datuk Adrian Ng for a purchase consideration of RM103,953.01,
	that have been fully settled via cash, which were completed on 11 October 2023.
Act	: Companies Act 2016
ADA	: Authorised depository agent
Admission	: Admission of our Shares to the Official List of the Main Market of Bursa Securities
AGM	: Annual general meeting
AmBank	AmBank (M) Berhad (Registration No. 19690100166 (8515-D))
AmInvestment Bank	: AmInvestment Bank Berhad (Registration No. 197501002220 (23742-V))
Application	: Application for our IPO Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form	: Collectively, White Application Form and Pink Application Form

DEFINITIONS

Asset Transfer	:	Our acquisition of the security seal manufacturing facilities and business of Fortris (Malaysia) pursuant to a joint venture arrangement
ATM	:	Automated teller machine
Authorised Financial Institution	:	Authorised financial institution participating in the Internet Share Application with respect to payments for our IPO Shares
BDO or Auditors or Reporting Accountants	:	BDO PLT (Registration No. 201906000013 (LLP0018825-LCA) & (AF 0206))
Board	:	Board of directors of our Company
Bumiputera	:	In the context of: <ul style="list-style-type: none"> (i) individuals - Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia; (ii) companies - companies which fulfil, among others, the following criteria or such other criteria as may be imposed by MITI: <ul style="list-style-type: none"> (a) registered under the Act as a private company; (b) its shareholders are 100.00% Bumiputera; and (c) its board of directors (including its staff) are at least 51.00% Bumiputera (iii) cooperatives - cooperatives whose shareholders or cooperative members are at least 95.00% Bumiputera or such other criteria as may be imposed by the MITI
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CAGR	:	Compound annual growth rate
CAD	:	Computer-aided-design
CCC or CF	:	Certificate of completion and compliance or certificate of fitness for occupation or occupation permit or such certificate by other name issued by the relevant authority or person under the Street, Drainage and Building Act 1974 and any by-laws made under it or such relevant legislation applicable at the material time
CCM	:	Companies Commission of Malaysia
CDS	:	Central depository system

DEFINITIONS

CDS Account(s)	:	Account established for a Depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CMSA	:	Capital Markets and Services Act 2007
CNC	:	Computer numerically controlled
Constitution	:	Constitution of our Company
COVID-19	:	Coronavirus disease (COVID-19), an infectious respiratory disease which first broke out in 2019 and has been declared as pandemic by the World Health Organisation in 2020, affecting many countries globally
Dato' Nick Ng	:	Dato' Ng Meng Kee
Datuk Adrian Ng	:	Datuk Ng Meng Poh
Depositor	:	A holder of a CDS Account
Director(s)	:	Director(s) of our Company
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EDBI	:	EDB Investments Pte Ltd (Registration No. 1991T02957K)
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to compact disc read-only memory (CD-ROMs)
Electronic Share Application	:	An application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATM
Eligible Persons	:	Collectively, our Directors and employees of our Group, and persons who have contributed to the success of our Group who are eligible to participate in the Retail Offering
EPF	:	Employees Provident Fund Board
EPS	:	Earnings per share
Equity Guidelines	:	Equity Guidelines issued by the SC
ESG	:	Environmental, Social and Governance
Executive Directors	:	Executive Directors of our Group, namely Datuk Adrian Ng and Ng Weng Choi
F & B	:	Food and beverage
FMA 1967	:	Factories and Machinery Act 1967
Fortris Malaysia	:	Fortris (Malaysia) Sdn Bhd (Registration No. 199501043146 (344606-M))

DEFINITIONS

FYE	:	Financial year ended / ending 30 June, as the case may be
FYE Under Review	:	Collectively, FYE 2021, FYE 2022 and FYE 2023
GE	:	Great Eastern Holdings Ltd (Registration No. 199903008M)
Government	:	Government of Malaysia
GP	:	Gross profit
HQ	:	Headquarter of Mega Fortris Berhad situated at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor
IFRS	:	International Financial Reporting Standards
IMR Report	:	Independent market research report dated 21 March 2024 prepared by Vital Factor, as set out in Section 8 of this Prospectus
Institutional Offering	:	Offering of up to 228,144,000 IPO Shares at our IPO Price comprising: <ul style="list-style-type: none"> (i) the Public Issue of 38,024,000 Issue Shares to identified Bumiputera investors approved by the MITI; (ii) the Public Issue of 42,249,000 Issue Shares to institutional and selected investors; (iii) the Offer for Sale of up to 80,273,000 Offer Shares to institutional and selected investors; and (iv) the Offer for Sale of up to 67,598,000 Offer Shares to identified Bumiputera investors approved by the MITI, subject to the clawback and reallocation provisions as set out in this Prospectus
Internet Participating Financial Institution	:	Participating financial institution in the Internet Share Application
Internet Share Application	:	Application for our IPO Shares under the Retail Offering through an Internet Participating Financial Institution
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	:	IPO price of RM[•] per IPO Share
IPO Shares	:	Collectively, Issue Shares and Offer Shares
Issue Shares	:	147,873,000 new Shares to be issued by our Company pursuant to the Public Issue
Issuing House	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
Joint Placement Agents	:	Collectively, RHB Investment Bank and AmInvestment Bank

DEFINITIONS

Joint Underwriters	:	Collectively, RHB Investment Bank and AmInvestment Bank
Key Senior Management	:	Our key senior management personnel, namely Datuk Adrian Ng, Ng Weng Choi, Sim Li Huang, Jason Francis White and Ng Foong Yuon
kg	:	Kilograms
kN	:	Kilonewton
LGCP	:	LionGlobal Capital Partners Pte Ltd (Registration No. 201431563K)
LGIL	:	Lion Global Investors Limited (Registration No. 198601745D)
Listing	:	Admission of Mega Fortris to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued share on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LOCAF1	:	Lion-OCBC Capital Asia Fund I, LP (Registration No. T14LP0077A)
LOCAH	:	Lion-OCBC Capital Asia I Holding Pte Ltd (Registration No. 201431613C)
LPD	:	15 February 2024, being the latest practicable date before the registration of this Prospectus with the SC
MAICSA	:	Malaysian Institute of Chartered Secretaries and Administrators
Main Market	:	Main Market of Bursa Securities
Malaysian Public	:	Citizens of Malaysia, and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day(s)	:	Any day(s) between Mondays and Fridays (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities
MCCG	:	Malaysian Code on Corporate Governance
MCO	:	Movement control order implemented under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 as a preventive measure to curb the spread of COVID-19 in Malaysia
Mega Fortris Capital	:	Mega Fortris Capital Ltd (Registration No. 1972543)
Mega Fortris Global	:	Mega Fortris Global Pte Ltd (Registration No. 201832490M)
MFIB	:	Mega Fortris Iberica S.L. (Registration No. B42930610)
MFRS	:	Malaysian Financial Reporting Standards

DEFINITIONS

MFSS	:	MFSS Sdn Bhd (previously known as Mega Fortris Software Solutions Sdn Bhd) (Registration No. 199901006834 (481734-V))
MIDA	:	Malaysian Investment Development Authority
MIOT	:	MIOT Sdn Bhd (previously known as Mega IOT Sdn Bhd) (Registration No. 201501016017 (1141350-V))
MITI	:	Ministry of Investment, Trade and Industry
MyIPO	:	Intellectual Property Corporation of Malaysia
NA	:	Net assets
NBV	:	Net book value
New UK Factory	:	Production facilities including automated production lines for security seals (including centralised warehouse) to be set up in United Kingdom
Ng Brothers Estate	:	Ng Brothers Estate Sdn Bhd (Registration No. 202301033651 (1527574-D))
NLC	:	National Land Code 1965
NRIC	:	Malaysian National Registration Identity Card
OCBC	:	Oversea-Chinese Banking Corporation Ltd (Registration No. 193200032W)
OCBC Entities	:	Collectively, OCBC, Orient, GE, LGIL, LGCP, LOCAF1 and LOCAH
Offer for Sale	:	<p>Offer for sale by the Selling Shareholder of up to 147,871,000 Offer Shares at our IPO Price, representing 17.50% of our enlarged total number of 844,972,480 Shares comprising the following:</p> <ul style="list-style-type: none"> (i) Offer for sale of up to 80,273,000 Offer Shares to institutional and selected investors by way of private placement; and (ii) Offer for sale of up to 67,598,000 Offer Shares to identified Bumiputera investors approved by the MITI by way of private placement, <p>subject to our Issue Shares being fully taken up first</p>
Offer Shares	:	Up to 147,871,100 existing Shares to be offered by the Selling Shareholder pursuant to the Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
Orient	:	Orient Holdings Pte Ltd (Registration No. 1997200277N)

DEFINITIONS

Participating Financial Institution	:	Participating financial institution for the Electronic Share Application
PAT	:	Profit after tax
PBT	:	Profit before tax
Pink Form Application	:	Application form for the application of our Issue Shares allocated for the Eligible Persons as set out in Section 4.1.1(ii) of this Prospectus
Pink Form Allocation	:	25,350,000 Issue Shares under the Retail Offering which have been reserved and set aside for subscription by the Eligible Persons
Playing Card Manufacturing Line	:	Specialised machinery and equipment comprising integrated and automated printing, cutting, laminating, inspection, collating and packaging machinery and equipment
PPE	:	Property, plant and equipment
Pre-IPO Reorganisation	:	Restructuring exercise involving the Acquisitions, Acquisitions of Mega Fortris Security Bags' Minority Interests, Share Split and Share Consolidation
Promoter(s)	:	Collectively, Dato' Nick Ng, Datuk Adrian Ng, Mega Fortris Global, Mega Fortris Capital and Ng Brothers Estate
Prospectus	:	This prospectus dated [●] issued by our Company
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public Issue	:	The public issue of 147,873,000 Issue Shares at our IPO Price, representing 17.50% of our enlarged total number of 844,972,480 Shares comprising the following: <ul style="list-style-type: none"> (i) the Retail Offering of 67,600,000 Issue Shares; and (ii) the Institutional Offering of 80,273,000 Issue Shares, subject to clawback and reallocation provisions as set out in this Prospectus
QESH	:	Quality, environment, safety and health
Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
Retail Offering	:	Offering of 67,600,000 Issue Shares to the Malaysian Public at our IPO Price comprising: <ul style="list-style-type: none"> (i) 42,250,000 Issue Shares to the Malaysian Public, of which at least 50.00% shall be set aside for Bumiputera investors, including individuals, companies, societies, co-operatives and/or institutions; and (ii) 25,350,000 Issue Shares to the Eligible Persons

DEFINITIONS

RHB Bank	:	RHB Bank Berhad (Registration No. 196501000373 (6171-M))
RHB Investment Bank or Sole Principal Adviser	:	RHB Investment Bank Berhad (Registration No. 197401002639 (19663-P))
ROC	:	Registrar of Companies
Rules of Bursa Depository	:	Rules of Bursa Depository as issued pursuant to the SICDA
SC	:	Securities Commission Malaysia
Selling Shareholder	:	Mega Fortris Global
SGX	:	Singapore Exchange Securities Trading Limited
Shaoxing Mega Fortris	:	Shaoxing Mega Fortris Seals Co Ltd (Registration No. 913306217284716062)
Shares	:	Ordinary shares in our Company
Shaoxing Shuanglu	:	Shaoxing Shuanglu Imp. & Exp. Co. Ltd (Registration No. 91330621MA29BFWX3Y)
Shaoxing Zhenfeng	:	Shaoxing Zhenfeng Imp. & Exp. Co Ltd (Registration No. 91330602MA2JUAD607)
Share Consolidation	:	The consolidation of three existing Shares into two new Shares which was completed on 26 January 2024
Share Registrar	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
Share Split	:	The subdivision of one existing Share into 30 new Shares which was completed on 13 October 2023
Shares or Mega Fortris Shares	:	Ordinary shares in our Company
SICDA	:	Securities Industry (Central Depositories) Act 1991
SIRIM QAS	:	SIRIM QAS International Sdn Bhd
SOCISO	:	Social Security Organisation, also known as PERKESO (Pertubuhan Keselamatan Sosial)
sq ft	:	Square feet
sq m	:	Square metres
UAE	:	United Arab Emirates
Underwriting Agreement	:	Underwriting agreement dated [●] entered into between our Company and our Joint Underwriters for the underwriting of [●] Issue Shares under the Retail Offering
USA	:	United States of America
UV	:	Ultraviolet

DEFINITIONS

Vital Factor or Independent Business and Market Research Consultants or IMR	:	Vital Factor Consulting Sdn Bhd (Registration No. 199301012059 (266797-T))
White Application Form	:	Application form for the application of our Issue Shares allocated to the Malaysian Public as set out in Section 4.1.1(i) of this Prospectus
3D	:	3-dimensional

EXISTING OPERATIONAL FACILITIES WITHIN OUR GROUP

No. 25 and No. 27 Property	:	One single storey warehouse with a two-storey office building owned by Mega Fortris bearing postal address of No. 25 and No. 27, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor
No. 29 Property	:	One two-storey factory with a three-storey office building owned by Mega Fortris bearing postal address of No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor
No. 56 Property	:	One single storey factory with a three-storey office building owned by Mega Fortris bearing postal address of No. 56, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor

CURRENCY AND UNIT

AED	:	Arab Emirates Dirham
AUD	:	Australian Dollar
DKK	:	Danish Krone
EUR	:	Euro
GBP	:	British Pound Sterling
HKD	:	Hong Kong Dollar
HUF	:	Hungarian Forint
NZD	:	New Zealand Dollar
RM and sen	:	Ringgit Malaysia and sen
SGD	:	Singapore Dollar
USD	:	United States Dollar
ZAR	:	South African Rand
%	:	Per centum

GLOSSARY OF TECHNICAL TERMS

The following technical terms in this Prospectus shall have the same meaning as set out below unless the technical term is defined otherwise or the context requires otherwise.

A3	: A rectangular size with dimensions of 297 mm and 420 mm
A4	: A rectangular size with dimensions of 210 mm and 297 mm
A5	: A rectangular size with dimensions of 148 mm and 210 mm
Acetal	: It is a high performance thermoplastic with good mechanical properties including high stiffness, low friction, and resistance to wear and chemical corrosion.
Additives	: In the context of this Prospectus, it refers to substances that can be used to alter the properties of plastics to achieve specific performance characteristics and properties.
Alternation	: An act to change or vary a substance.
Barrel	: In the context of this Prospectus, it refers to a cylinder-shaped component of a security seal that is integrated with a locking mechanism where a correspondent bolt is used to fasten into the barrel to provide a secure closure.
Cable seals	: Cable seals are security seals which comprise galvanised steel wire to provide tamper-evident features and comprise various designs to provide indicative, security and high-security levels.
Container seals	: Container seals are security seals made of plastic and metallic materials. They are designed for heavy-duty applications with tamper-evident features and have a high-security level.
Die	: In the context of this Prospectus, it refers to a tool which comprises two complementary halves. One half is the die that provides a protruding solid-shaped object that when pressed against the complementary half (referred to as the mould) that has a corresponding shaped cavity to accommodate the die, will leave the desired shaped cavity for the plastic part. Molten plastic is then injected into the mould-die set to fill the shaped cavity. When the two halves are separated and the molten plastic solidifies, it will result in the desired shaped plastic part.
Dunnage bags	: It refers to inflatable bags that are commonly used in shipping containers or trailers to fill empty spaces to prevent or minimise movements within the container or trailer. A dunnage bag is used to place between cargo items to prevent movements and also provide cushioning.
Flexural strength	: It refers to a measurement to assess the ability of the security seal to withstand bending and deformation without breaking.
Identifiers	: This refers to unique makings, codes, numbers or logos that are used to differentiate individual seals from one another or provide some form of identity to the seals.
Injection moulding	: It refers to a manufacturing process where the plastic resin mixture is melted into molten form and injected into a mould-die set to create plastic parts with the desired shape.

GLOSSARY OF TECHNICAL TERMS

Laser marking	: It refers to the process of engraving such as a specific pattern or identifier onto the surface of the security seal using a laser.
Lashing system	: A cargo securing method that uses various materials and components to secure and stabilise cargo on various types of transportation vessel such as ships, planes, trucks and railway cars.
Load securement products	: This refers to products that are used to safely secure cargo and loads during transportation to prevent shifting and damage to the cargo and/or vessel
Locking length	: In the context of this Prospectus, it refers to the measurement which indicates the extent to which the seal can be tightened around the goods or container.
Locking mechanism	: This refers to the design used in the security seal to provide a secured closure.
Masterbatch	: It refers to a compounded form of pre-mixed pigments used to obtain the desired colour or related colour properties such as brightness and intensity for colour, as well as some other additives such as calcium carbonate to be used as fillers and/or for the provision of white colour and brightness intensity.
Mould	<p>: In the context of this Prospectus, it refers to a tool which comprises two complementary halves. One half is the die that provides a protruding solid-shaped object that when pressed against the complementary half (referred to as the mould) that has a corresponding shaped cavity to accommodate the die, will leave the desired shaped cavity for the plastic part. Molten plastic is then injected into the mould-die set to fill the shaped cavity. When the two halves are separated and the molten plastic solidifies, it will result in the desired shaped plastic part.</p> <p>The term mould is sometimes taken to refer to the mould-die set.</p>
Mould tooling	: This refers to the fabrication of moulds.
Plastic seals	: Plastic seals are security seals mainly made of plastic materials.
Playing card	<p>: They are typically thin rectangular pieces of specially prepared card stock, heavy paper, thin cardboard, cotton-paper blend, plastic-coated paper or thin plastic with numbers and symbols printed on them. They are used for various games for entertainment or gambling purposes.</p> <p>In the context of this Prospectus, the playing cards are made of high-quality paper. The playing cards come in a set of 52 unique cards per deck divided into four suits (clubs, diamonds, hearts and spades) with 13 cards per suit (numbered cards from two to 10, and an ace, jack, queen, and king). Playing cards are used in gaming industries including casinos.</p>
Pigments	: A substance that has the ability to impart colour to other materials.
Quick Response (QR) code	: This refers to a scannable standardised format code which comprises encoded information.

GLOSSARY OF TECHNICAL TERMS

Seal	:	In the context of this Prospectus, it refers to security seal.
Security bag	:	It refers to flexible plastic bags with tamper-evident features designed to leave visible evidence if tampered with. It is also referred to as tamper-evident bags.
Security boxes	:	It refers to rigid plastic boxes with tamper-evident features designed to leave visible evidence if tampered with. It is also referred to as tamper-evident boxes.
Security seal	:	In the context of this Prospectus, it refers to a physical device used to secure and protect the integrity of goods, containers, packages or access points. It is also referred to as a tamper-evident seal.
Security tapes and labels	:	It refers to tapes and labels used to attach to a seal or closure mechanism designed to leave visible evidence if tampered with.
Shear bolt	:	This refers to a component of a security seal that acts as a fastener which will breakaway when the seal is securely fastened.
Tamper	:	This refers to the act of unauthorised manipulation or alternation which will compromise the integrity and security of the sealed goods.
Tamper-evident mechanism	:	This refers to the design that can provide indications of unauthorised access, manipulation or alternation of the sealed goods, thus enhancing the integrity of the goods under the security seal.
Tensile strengths	:	In the context of this Prospectus, it refers to the minimum force required to break the security seal. Also known as pull strength.
Ticket-in and Ticket-out (TITO) tickets	:	This refers to customised blank tickets which are supplied to casinos for TITO system. These blank tickets are then loaded into the TITO machines. When a player cashes out their credits, the machine prints a TITO ticket with a unique code representing the amount of money won. The player can then use this ticket for cash redemption at the casino cashier.
UV casino scanner	:	This refers to a device used to scan and detect counterfeit money, casino chips and card using ultraviolet light.
Verification marker	:	This refers to an indicator which may be a specific pattern or identifier that is incorporated into the design of the security seal to verify the integrity and authenticity of the sealed goods.

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Nationality / Gender	Designation	Residential Address
Dato' Nick Ng	Malaysian / Male	Non-Independent Non-Executive Chairman	No. 9, Jalan USJ 17/7C Sime UEP 47600 Subang Jaya Selangor
Datuk Adrian Ng	Malaysian / Male	Group Managing Director cum Group Chief Executive Officer	No 22, Jalan Kota U8/102 Jelutong Heights Seksyen U8 40150 Shah Alam Selangor
Ng Weng Choi	Malaysian / Male	Non-Independent Executive Director	No. C-08-8 Condo 9 Bukit Utama No. 9 Persiaran Bukit Utama Bandar Utama 47800 Petaling Jaya Selangor
Shireen Iqbal Binti Mohamed Iqbal	Malaysian / Female	Senior Independent Non-Executive Director	1, Jalan Tiang Seri U8/73F Bukit Jelutong 40150 Shah Alam Selangor
Tan Kok Yang	Malaysian / Male	Independent Non-Executive Director	82, Jalan RK3/21 Rasah Kemayan 70300 Seremban Negeri Sembilan
Lew Siew Yen	Malaysian / Female	Independent Non-Executive Director	42, Jalan 37/70A Desa Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan

1. CORPORATE DIRECTORY

AUDIT COMMITTEE

Name	Designation	Directorship
Tan Kok Yang	Chairman	Independent Non-Executive Director
Shireen Iqbal Binti Mohamed Iqbal	Member	Senior Independent Non-Executive Director
Lew Siew Yen	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Lew Siew Yen	Chairman	Independent Non-Executive Director
Shireen Iqbal Binti Mohamed Iqbal	Member	Senior Independent Non-Executive Director
Tan Kok Yang	Member	Independent Non-Executive Director

NOMINATING COMMITTEE

Name	Designation	Directorship
Shireen Iqbal Binti Mohamed Iqbal	Chairman	Senior Independent Non-Executive Director
Lew Siew Yen	Member	Independent Non-Executive Director
Tan Kok Yang	Member	Independent Non-Executive Director

SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Shireen Iqbal Binti Mohamed Iqbal	Chairman	Senior Independent Non-Executive Director
Tan Kok Yang	Member	Independent Non-Executive Director
Lew Siew Yen	Member	Independent Non-Executive Director
Datuk Adrian Ng	Member	Group Managing Director cum Group Chief Executive Officer

1. CORPORATE DIRECTORY

COMPANY SECRETARIES	:	Teo Soon Mei	:	Chartered Secretary and Chartered Governance Professional
		Professional qualification		MAICSA (MAICSA Membership No.: 7018590) (SSM PC No.: 201908000235)
		Tee Wan Ting	:	Chartered Secretary and Chartered Governance Professional
		Professional qualification		MAICSA (MAICSA Membership No.: 7077906) (SSM PC No.: 202208000388)
		No. 7-1, Jalan 109F Plaza Danau 2 Taman Danau Desa 58100 Kuala Lumpur Wilayah Persekutuan		
		Telephone No.	:	(603) 7982 2010
		Facsimile No.	:	(603) 7980 1242
REGISTERED OFFICE	:	No. 7-1, Jalan 109F Plaza Danau 2 Taman Danau Desa 58100 Kuala Lumpur Wilayah Persekutuan		
		Telephone No.	:	(603) 7982 2010
		Facsimile No.	:	(603) 7980 1242
HEAD OFFICE	:	No. 29, Jalan Anggerik Mokara 31/47 Kota Kemuning, Seksyen 31 40460 Shah Alam Selangor		
		Telephone No.	:	(603) 5122 6118
		Facsimile No.	:	(603) 5121 7118
		Email	:	info@megafortris.com
		Website	:	www.megafortris.com
SOLE PRINCIPAL ADVISER, JOINT UNDERWRITER AND JOINT PLACEMENT AGENT	:	RHB Investment Bank Berhad Level 10, Tower One, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Wilayah Persekutuan		
		Telephone No.	:	(603) 9287 3888
		Facsimile No.	:	(603) 9287 2233 / 3355 / 4770
JOINT UNDERWRITER AND JOINT PLACEMENT AGENT	:	AmlInvestment Bank Berhad 22 nd Floor, Bangunan Ambank Group No. 55, Jalan Raja Chulan 50200 Kuala Lumpur Wilayah Persekutuan		
		Telephone No.	:	(603) 2036 2633
		Facsimile No.	:	(603) 2031 5210

1. CORPORATE DIRECTORY

- AUDITORS AND REPORTING ACCOUNTANTS** : BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206)
Level 8
BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Malaysia
Wilayah Persekutuan
- Telephone No. : (603) 2616 2888
Facsimile No. : (603) 2616 2970
Partner-in-charge : Lee Wee Hoong
Approval No. : 03316/07/2025 J
Professional qualification : Chartered Accountant
Member of Malaysian Institute of Accountants ("MIA")
(MIA Membership No.: 37567)
- SOLICITORS FOR OUR IPO** : Jeff Leong, Poon & Wong
B-11-8, Level 11,
Megan Avenue II,
Jalan Yap Kwan Seng,
50450 Kuala Lumpur
Wilayah Persekutuan
- Telephone No. : (603) 2203 3388
Facsimile No. : (603) 2203 3399
- INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS** : Vital Factor Consulting Sdn Bhd
V Square @ PJ City Centre (VSQ)
Block 6, Level 6
Jln Utara, 46200
Petaling Jaya, Selangor
- Telephone No. : (603) 7931 3188
Facsimile No. : (603) 7931 2188
Managing Director : Wooi Tan
Qualification : Master of Business Administration from the New South Wales Institute of Technology (now known as University of Technology Sydney), Australia; Bachelor of Science from the University of New South Wales, Australia and a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders, Australia (formerly known as the Australian Institute of Management)
- (Please refer to Section 8 of this Prospectus for the profile of the firm and signing partner)*

1. CORPORATE DIRECTORY

**SHARE REGISTRAR AND
ISSUING HOUSE** : Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi 59200
Wilayah Persekutuan

Telephone No. : (603) 2783 9299
Facsimile No. : (603) 2783 9222

LISTING SOUGHT : Main Market

2. INTRODUCTION

2.1 APPROVALS AND CONDITIONS

2.1.1 SC

- (i) The SC had, vide its letter dated [●], approved the relief we sought from having to comply with the following requirements under the Equity Guidelines. The details of the relief sought are set out below:

Reference	Details of relief granted	Conditions imposed (if any)
[Paragraph 5.30, Part II of the Equity Guidelines]	[Relief for all direct and indirect shareholders of LOCAH, up to its ultimate individual shareholders, from complying with the moratorium restrictions.]	[●]
[Paragraphs 2(a) and 2(b) of Appendix 4, Part IV of the Equity Guidelines]	[Relief from having to comply with the requirement in respect of placement of our IPO Shares to be offered under the Institutional Offering to certain persons connected to our Joint Placement Agents.]	[●]

- (ii) The SC had, vide its letter dated [●] ("**Approval Letter**"), approved our IPO and Listing under Section 214(1) of the CMSA, subject to compliance with the following conditions:

No.	Conditions	Status of compliance
1.	[●]	[●]

- (iii) The SC had, vide its Approval Letter, approved our Company's resultant equity structure under the equity requirement for public listed companies pursuant to our Listing, subject to compliance with the following conditions:

No.	Conditions	Status of compliance
1.	[●]	[●]

2. INTRODUCTION

In the Approval Letter, the SC has also noted that the effects of our Listing on our Company's equity structure are as follows:

Category of shareholders	As at the LPD		After our Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera	-	-	129,830,000 ⁽¹⁾	15.36
Non-Bumiputera	-	-	156,800,000	18.56
Malaysians	-	-	286,630,000	33.92
Foreigners	697,099,480	100.00	558,342,480	66.08
Total	697,099,480	100.00	844,972,480	100.00

Note:

- (1) Assuming all our Shares allocated to the following persons are fully subscribed:

Category	No. of Shares
(i) Bumiputera public investors via balloting	21,125,000
(ii) Identified Bumiputera investors approved by the MITI via private placement	105,622,000
(iii) Certain Bumiputera' Eligible Persons (including our eligible Director, namely Shireen Iqbal Binti Mohamed Iqbal)	3,083,000
Total	129,830,000

2.1.2 Bursa Securities

Bursa Securities had, vide its letter dated [●], approved our Admission to the Official List and our Listing, subject to compliance with the following conditions:

No.	Conditions	Status of compliance
1.	[●]	[●]

2.1.3 MITI

The MITI had, vide its letter dated [●], taken note of and has no objection to our Listing.

2. INTRODUCTION

2.2 MORATORIUM ON SALE OF SHARES

Pursuant to Paragraph 5.29(a), Part II of the Equity Guidelines, 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 ("**Moratorium Period**") as set out below:

Name	No. of Shares	% ⁽¹⁾
Mega Fortris Global	549,228,480	65.00
Total	549,228,480	65.00

Note:

- (1) Computed based on our enlarged total number of 844,972,480 Shares after our IPO.

Further, pursuant to Paragraph 5.30, Part II of the Equity Guidelines, the following parties have also provided their moratorium undertakings that they will not to sell, transfer or assign any part of their shareholdings in relevant companies during the Moratorium Period:

- (i) the shareholders of Mega Fortris Global, namely Mega Fortris Capital, Ng Brothers Estate, LOCAH and OCBC have undertaken not to sell, transfer or assign any part of their shareholdings in Mega Fortris Global during the Moratorium Period, as shown below:

Shareholders of Mega Fortris Global	Shares under moratorium	
	No. of shares held in Mega Fortris Global	%
Mega Fortris Capital	20,018,891	59.23
LOCAH	5,590,842	16.54
OCBC	3,194,767	9.45
Ng Brothers Estate	4,995,000	14.78

Mega Fortris Capital and Ng Brothers Estate have pledged some of their shares in Mega Fortris Global in favour of financial institutions that part funded the Ng Brothers Estate's acquisition of EDBI's equity interest in Mega Fortris Global that was completed on 10 January 2024. The pledged shares are not allowed to be sold, transferred or assigned during the moratorium period, and it will be uplifted upon full settlement of the banking facilities. The financial institutions have provided their consents for Mega Fortris Capital and Ng Brothers Estate to provide their moratorium undertakings.

- (ii) the shareholders of Mega Fortris Capital, namely Dato' Nick Ng, Datuk Adrian Ng, Jor-Hol International Aps and Ole Fast, have undertaken not to sell, transfer or assign any part of their shareholdings in Mega Fortris Capital during the Moratorium Period, as shown below:

Shareholders of Mega Fortris Capital	Shares under moratorium	
	No. of shares held in Mega Fortris Capital	%
Dato' Nick Ng	18,420,397	69.20
Datuk Adrian Ng	6,655,018	25.00

2. INTRODUCTION

Shareholders of Mega Fortris Capital	Shares under moratorium	
	No. of shares held in Mega Fortris Capital	%
Ole Fast	898,896	3.38
Jor-Hol International ApS	645,759	2.42

- (iii) the shareholders of Ng Brothers Estate, namely Dato' Nick Ng and Datuk Adrian Ng, have undertaken not to sell, transfer or assign any part of their shareholdings in Ng Brothers Estate during the Moratorium Period, as shown below:

Shareholders of Ng Brothers Estate	Shares under moratorium	
	No. of shares held in Ng Brothers Estate	%
Dato' Nick Ng	50	50.00
Datuk Adrian Ng	50	50.00

- (iv) the shareholders of Jor-Hol International Aps, namely Mette Jordon Holmelund and Claus Vaupell Holmelund, have undertaken not to sell, transfer or assign any part of their shareholdings in Jor-Hol International Aps during the Moratorium Period, as shown below:

Shareholders of Jor-Hol International Aps	Shares under moratorium	
	No. of shares held in Jor-Hol International Aps	%
Mette Jordon Holmelund	62,500	50.00
Claus Vaupell Holmelund	62,500	50.00

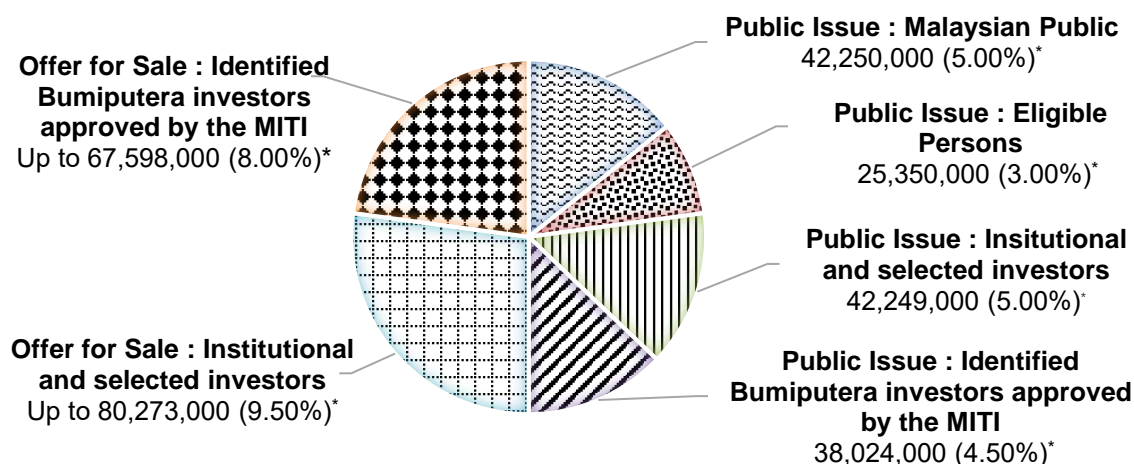
The above parties have provided letters of undertaking to the SC that they will not sell, transfer or assign any part of their shareholdings in relevant companies during the Moratorium Period.

In compliance with the moratorium restrictions, Bursa Depository will, on our Share Registrar's instructions in the prescribed forms, ensure that the trading of our Shares held by Mega Fortris Global is not permitted during the moratorium period. Please refer to Section 2.1.1 for the relief sought for all direct and indirect shareholders of LOCAH to provide moratorium undertakings.

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



* 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.

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 specialists in security seals supported by manufacturing facilities in Malaysia, and offices in Malaysia and 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 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 30 June 2023, our annual production capacity of security seals is approximately 530 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. 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. 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 as shown below:

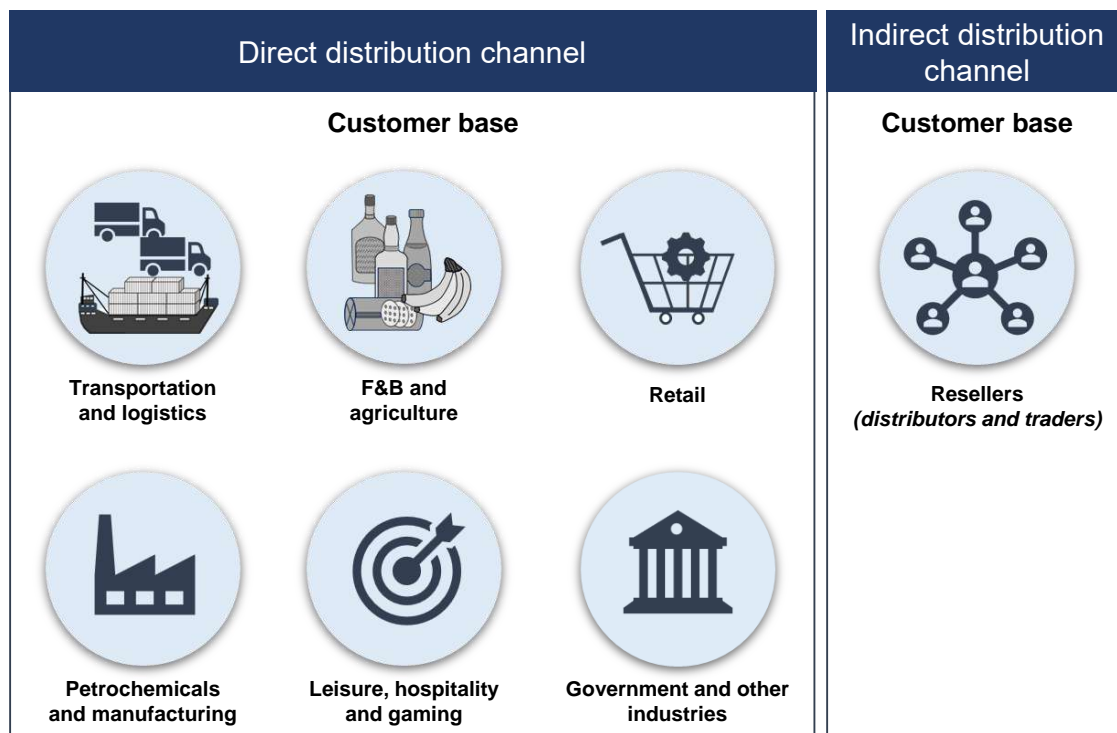


■ Revenue contribution of more than 10% for at least one of the FYE Under Review

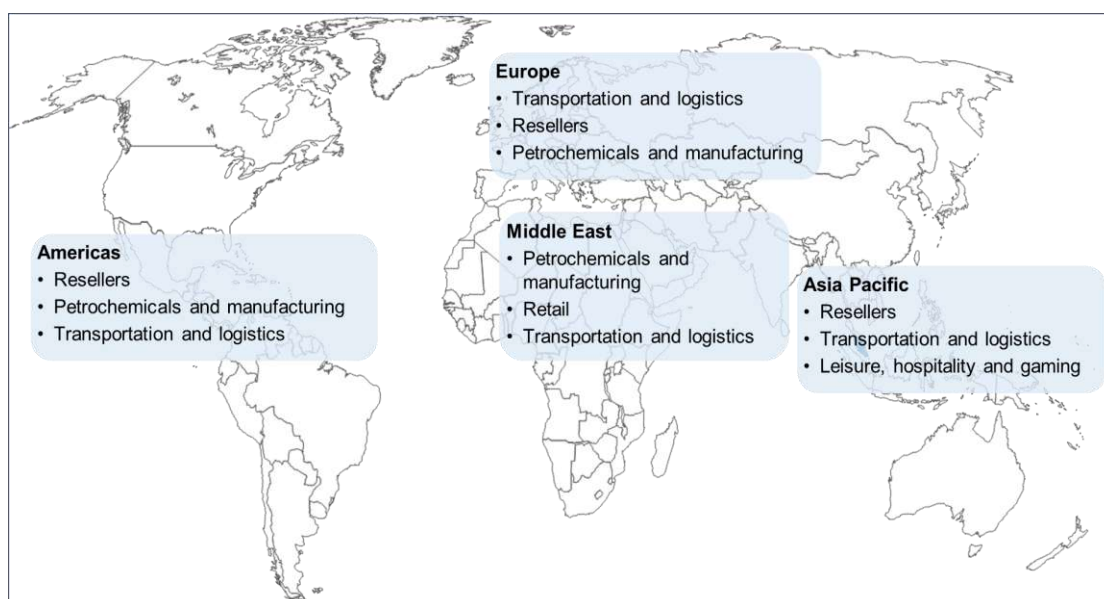
Our revenue was mainly derived from our combined foreign operations which accounted for 78.65%, 79.27% and 75.48% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively; whilst our operations in Malaysia accounted for 21.35%, 20.73% and 24.52%.

3. PROSPECTUS SUMMARY

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:



We serve customers in diverse industries within various regions namely, Asia Pacific, Europe, Americas and Middle East regions. This is supported by our offices in Malaysia and 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:



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

3. PROSPECTUS SUMMARY

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.

3.4 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. PROSPECTUS SUMMARY

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 Malaysia and Macao.

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. PROSPECTUS SUMMARY

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) we are exposed to risks of damage to our reputation and brand equity, and imitation of our products.
- (ii) we are exposed to risk of foreign exchange rate fluctuation.
- (iii) we are exposed to risk of increase in freight rates.
- (iv) we are subject to regulations relating to occupational safety and health administration and environment.
- (v) we are dependent on our major licences, permits and regulatory approvals from relevant government authorities and regulatory agencies.
- (vi) we are subject to the availability of labour for our production operations and the increasing labour costs.
- (vii) we may not be able to realise the anticipated benefits of our future plans.
- (viii) we may be exposed to the risks of non-renewal of certain certifications.
- (ix) we are dependent on our Executive Directors and Key Senior Management for our continued success and growth of our business.
- (x) we are exposed to the risk of our distributors who use our brand name “Mega Fortris” tarnishing our brand and reputation.
- (xi) we are exposed to risks of disruptions to our business operations at our manufacturing plants in Malaysia.

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:

		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	%
Name	Nationality / Country of Incorporation								
<u>Promoters and substantial shareholders</u>									
Dato’ Nick Ng	Malaysian	-	-	697,099,480	100.00	-	-	549,228,480	65.00
Datuk Adrian Ng	Malaysian	-	-	697,099,480	100.00	-	-	549,228,480	65.00
Mega Fortris Capital	British Virgin Islands	-	-	697,099,480	100.00	-	-	549,228,480	65.00
Ng Brothers Estate	Malaysian	-	-	697,099,480	100.00	-	-	549,228,480	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	100.00	-	-	549,228,480	65.00
LOCAH	Singaporean	-	-	697,099,480	100.00	-	-	549,228,480	65.00

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

* Results from continuing operations

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.

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

4. DETAILS OF OUR IPO

4.1 PARTICULARS OF OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated or transferred in the manner described below, subject to clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus.

4.1.1 Public Issue

Our Public Issue of 147,873,000 Issue Shares, representing approximately 17.50% of the enlarged total number of 844,972,480 Shares, are offered at the IPO Price, and will be allocated in the following manner:

(i) Malaysian Public

42,250,000 Issue Shares, representing approximately 5.00% of the enlarged total number of 844,972,480 Shares, will be made available for application by the Malaysian Public by way of balloting, of which 50.00% will be set aside for Bumiputera investors.

(ii) Eligible Persons

25,350,000 Issue Shares, representing approximately 3.00% of the enlarged total number of 844,972,480 Shares will be made available for application by Eligible Persons under the Pink Form Allocation.

A summary of the allocation of 25,350,000 Issue Shares to Eligible Persons is set out below:

Eligibility	No. of persons	Aggregate number of Issue Shares allocated
Eligible Directors ⁽¹⁾	4	4,000,000
Eligible employees ⁽²⁾	459	20,550,000
Person who have contributed to the success of our Group ⁽³⁾	1	800,000
Total	464	25,350,000

Notes:

(1) Eligible Directors

The criteria for allocation to our eligible Directors is based on their respective roles, responsibilities and anticipated contributions to our Group. Our eligible Directors will collectively be allocated a total of 4,000,000 Issue Shares as follows:

Name	Designation	Number of Issue Shares allocated
Ng Weng Choi	Executive Director	2,500,000
Shireen Iqbal Binti Mohamed Iqbal	Senior Independent Non-Executive Director	500,000
Tan Kok Yang	Independent Non-Executive Director	500,000

4. DETAILS OF OUR IPO

Name	Designation	Number of Issue Shares allocated
Lew Siew Yen	Independent Non-Executive Director	500,000
Total		4,000,000

(2) Eligible employees

The criteria of allocation to our eligible employees is based on, among others, the following factors:

- (i) confirmed full-time employee and on the payroll of our Group; and
- (ii) seniority, position, length of service, past performance and past contribution to our Group.

Our Eligible Employees will collectively be allocated 20,550,000 Issue Shares as follows:

- (i) 5,200,000 Issue Shares to be allocated to our Key Senior Management as follows:

Name	Designation	Number of Issue Shares allocated
Sim Li Huang	Group Chief Finance Officer	1,800,000
Ng Foong Yuon	Compliance Director	1,800,000
Jason Francis White	Group Chief Operating Officer	1,600,000
Total		5,200,000

- (ii) 15,350,000 Issue Shares to be allocated to our other eligible employees (save for our Key Senior Management).

(3) Person who have contributed to the success of our Group

The criteria of allocation to person who have contributed to the success of our Group is based on his length of business relationship, and level of support and contribution to our Group, and he will be allocated 800,000 Issue Shares.

(iii) Bumiputera investors approved by the MITI via private placement

38,024,000 Issue Shares, representing approximately 4.50% of the enlarged total number of 844,972,480 Shares, will be made available by way of private placement to identified Bumiputera investors approved by the MITI.

(iv) Institutional and selected investors via private placement

42,249,000 Issue Shares, representing approximately 5.00% of the enlarged total number of 844,972,480 Shares, will be made available by way of private placement to institutional and selected investors.

4. DETAILS OF OUR IPO

4.1.2 Offer for Sale

The Selling Shareholder will offer up to 147,871,000 Offer Shares, representing approximately 17.50% of the enlarged total number of 844,972,480 Shares, at the IPO Price by way of private placement to institutional and selected investors, and identified Bumiputera investors approved by the MITI in the following manner:

- (i) up to 80,273,000 Offer Shares, representing 9.50% of the enlarged total number of 844,972,480 Shares, to institutional and selected investors; and
- (ii) up to 67,598,000 Offer Shares, representing 8.00% of the enlarged total number of 844,972,480 Shares, to identified Bumiputera investors approved by the MITI.

The Offer Shares to be offered by the Selling Shareholder and its shareholding in our Company before and after our IPO are as follows:

Name / Address		Nature of relationship		As at the LPD and before our IPO				Offer Shares Offered		After our IPO			
				Direct		Indirect				Direct		Indirect	
				No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(2)	No. of Shares	%(2)
Mega Fortris Global / 16 Collyer Quay #17-00 Collyer Quay Centre Singapore 049318	Promoter and substantial shareholder	697,099,480	100.00	-	-	147,871,000	21.21	549,228,480	65.00	-	-		

Notes:

- (1) Computed based on the total number of 697,099,480 Shares before our IPO.
- (2) Computed based on the enlarged total number of 844,972,480 Shares after our IPO.

Based on the IPO Price, the Offer for Sale will raise gross proceeds of RM[●] million, which will accrue entirely to our Selling Shareholder.

4. DETAILS OF OUR IPO

4.1.3 Summary of our IPO Shares to be allocated and underwriting

A summary of our IPO Shares offered under the Retail Offering and Institutional Offering (subject to clawback and reallocation provisions set out in Section 4.1.4 of this Prospectus) is as follows:

Category	Public Issue		Offer for Sale		IPO Shares	
	No. of Issue Shares	% ⁽¹⁾	No. of Offer Shares	% ⁽¹⁾	No. of IPO Shares	% ⁽¹⁾
Retail Offering						
Malaysian Public (via balloting)						
- Bumiputera investors	21,125,000	2.50	-	-	21,125,000	2.50
- Non-Bumiputera investors	21,125,000	2.50	-	-	21,125,000	2.50
Eligible Persons						
- Eligible Directors	4,000,000	0.47	-	-	4,000,000	0.47
- Eligible employees	20,550,000	2.44	-	-	20,550,000	2.44
- Person who have contributed to the success of our Group	800,000	0.09	-	-	800,000	0.09
Institutional Offering						
Institutional and selected investors	42,249,000	5.00	80,273,000	9.50	122,522,000	14.50
Identified Bumiputera investors approved by the MITI	38,024,000	4.50	67,598,000	8.00	105,622,000	12.50
Total	147,873,000	17.50	147,871,000	17.50	295,744,000	35.00

Note:

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

The Retail Offering has been fully underwritten, while the Institutional Offering is not underwritten. Irrevocable undertakings will be obtained from investors who subscribe for our IPO Shares made available under the Institutional Offering.

4. DETAILS OF OUR IPO

Our IPO is subject to the public shareholding spread requirement as stipulated under the Listing Requirements.

The Retail Offering will be allocated on a fair and equitable manner, and the basis of allocation for our Issue Shares shall take into account the desirability of distributing our Issue Shares to a reasonable number of applicants to broaden our shareholding base to meet the public shareholding spread requirements of Bursa Securities and to establish a liquid and adequate market in our Shares. Applicants for the Institutional Offering will be selected in such manner as may be determined by our Joint Placement Agents, in consultation with our Company, to be in the best interest of our Company. Our Joint Placement Agents, in consultation with our Company, has the absolute discretion to decide whether to accept or reject any placement application.

There is no over-allotment or “greenshoe” option which will increase the number of our IPO Shares.

4.1.4 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

- (i) if any of our IPO Shares allocated to the identified Bumiputera investors approved by the MITI (“**MITI Tranche**”) is under-subscribed, such IPO Shares will be allocated to institutional investors under the Institutional Offering.

If after the above reallocation, the MITI Tranche is still under-subscribed under the Institutional Offering, and there is a corresponding over-subscription for our Issue Shares by the Bumiputera public investors under the Retail Offering, our IPO Shares will be clawed back from the remaining MITI Tranche and firstly allocated to the Bumiputera public investors under the Retail Offering, followed by the order of priority as specified under item (ii) below;

- (ii) subject to item (i) above, if there is an under-subscription in the Institutional Offering and there is an over-subscription in the Retail Offering, our IPO Shares not taken up may be clawed back from the Institutional Offering and be reallocated to the Retail Offering in the following order of priority:
 - (a) firstly, to the Malaysian Public; and
 - (b) secondly, to the Eligible Persons allocated on a fair and equitable basis in the manner as set out in items (iv)(a) and (b) below.
- (iii) if that there is an under-subscription in the Retail Offering and there is an over-subscription in the Institutional Offering, our IPO Shares not taken up may be clawed back from the Retail Offering and reallocated to the Institutional Offering;
- (iv) any of our Issue Shares allocated to Eligible Persons but not taken up by them shall be made available to other Eligible Persons who have applied for excess Issue Shares (if any) in addition to their pre-determined allocation of our Issue Shares (“**Excess Shares**”). Such Excess Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:
 - (a) firstly, allocation on a pro-rata basis to Eligible Persons who have applied for Excess Shares based on the number of Excess Shares applied for; and
 - (b) secondly, to minimise odd lots.

4. DETAILS OF OUR IPO

Any of our allocated Issue Shares not fully taken up by Eligible Persons will be made available for application by the Malaysian Public under the Retail Offering. Any of our Issue Shares under the Retail Offering not applied for after being subject to the clawback and reallocation provisions above shall be taken up by our Joint Underwriters based on the terms and conditions of the Underwriting Agreement.

The clawback and reallocation provisions will not apply if there is an over-subscription or under-subscription in both the Retail Offering and Institutional Offering at the closing date of our IPO.

As at the LPD, to the best of our knowledge and belief:

- (i) there is no substantial shareholder, Director or Key Senior Management who have indicated that they intend to subscribe for the IPO Shares, save for the IPO Shares made available for application under the Pink Form Allocation; and
- (ii) there is no person who intends to subscribe for more than 5.00% of our IPO Shares.

Notwithstanding the above, if there is an under-subscription for our IPO Shares (but in excess of 147,873,000 Issue Shares), the subscriptions received for our IPO Shares will first be applied towards subscribing in full the Issue Shares under the Public Issue. Thereafter, any additional subscription for our IPO Shares will be allocated from the Offer Shares and any remaining Offer Shares not subscribed for will be retained by the Selling Shareholder. For the avoidance of doubt, the Public Issue will take priority over the Offer for Sale if there is an undersubscription of our IPO Shares.

4.1.5 Minimum subscription

There is no minimum subscription in terms of the proceeds to be raised from our IPO. However, the minimum subscription level in terms of the number of our IPO Shares will be the number of Shares required to be held by public shareholders for our Company to comply with the public shareholding spread requirements under the Listing Requirements or as approved by Bursa Securities. Under the Listing Requirements, we are required to have a minimum of 25.00% of the total number of our Shares in the hands of a minimum number of 1,000 public shareholders, each holding not less than 100 Shares at the point of Listing.

If the aforesaid public shareholding spread requirement is not met, we may not be able to proceed with our Listing. Please refer to Section 9.3.6 of this Prospectus for details on the risk of delay or failure of our Listing.

4. DETAILS OF OUR IPO

4.2 SHARE CAPITAL

Upon completion of our IPO, our enlarged issued share capital would be as follows:

Details	No. of Shares	RM
Total number of Shares as at the date of this Prospectus	697,099,480	34,854,974.00
New Shares to be issued pursuant to the Public Issue	147,873,000	[●] ⁽¹⁾
Enlarged total number of Shares upon Listing	844,972,480	[●]
Offer for Sale	147,871,000	[●]
IPO Price		[●]
Market capitalisation upon Listing based on the IPO Price and the enlarged total number of 844,972,480 Shares upon Listing		[●]
Pro forma consolidated NA per Share as at 30 June 2023 after adjusting for the Public Issue and the intended use of proceeds		[●] ⁽²⁾

Notes:

- (1) After deducting the estimated listing expenses of approximately RM[●] million which is directly attributable to the issuance of our IPO Shares and offset against our share capital.
- (2) Computed based on the pro forma NA after our IPO and adjusting for the use of proceeds from our Public Issue, and the enlarged total number of 844,972,480 Shares after our IPO.

As at the date of this Prospectus, we have only one class of shares, being ordinary shares.

Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our other existing Shares including voting rights and will be entitled to all rights, dividends and other distributions that may be declared, paid or made after the date of allotment of our Issue Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attached to any Shares which we may issue in the future, our shareholders shall, in proportion to the amount paid or credited on the Shares held by them, be entitled to share the profits paid out by us in the form of dividends and other distributions. Similarly, if we are liquidated, pursuant to our Constitution, our shareholders shall be entitled to the surplus (if any) after the satisfaction of any preferential payments based on the Act and our liabilities.

At any general meeting of our Company, each of our shareholders shall be entitled to vote in person, by proxy, by attorney or by duly authorised representative. Any resolution put to vote at the meeting shall be decided by way of poll. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have one vote for each Share held or represented. A proxy may but need not be a member of our Company.

4. DETAILS OF OUR IPO

4.3 BASIS OF ARRIVING AT OUR IPO PRICE

The IPO Price of RM[●] per IPO Share was determined and agreed upon between our Directors and our Promoters, together with our Sole Principal Adviser, Joint Underwriters and Joint Placement Agents, after taking into consideration the following factors:

- (i) price-to-earnings ratio of approximately [●] times based on our Group's EPS of approximately RM0.015 after taking into account our audited combined PAT attributable to owners of RM12.5 million for the FYE 2023 and our enlarged total number of 844,972,480 Shares upon Listing;
- (ii) our pro forma combined NA per Share of RM[●] as at 30 June 2023 after adjusting for the use of proceeds from our Public Issue and based on our enlarged total number of 844,972,480 Shares upon Listing;
- (iii) our operating history and financial performance as described in Sections 7 and 12 of this Prospectus respectively;
- (iv) our competitive strengths as described in Section 7.5 of this Prospectus;
- (v) our business strategies and plans as set out in Section 7.19 of this Prospectus; and
- (vi) industry overview and future outlook of the security seal industry as set out in Section 8 of this Prospectus.

You should also note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties. You should form your own views on the valuation of our IPO Shares before deciding to invest in our Shares. You are also reminded to consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

4.4 DILUTION

Dilution is computed as the difference between our IPO Price paid by you for our Issue Shares and our pro forma consolidated NA per Share after our IPO. The following table illustrates the effect in our Group's pro forma consolidated NA for each Share to our shareholders:

		<u>RM</u>
IPO Price	(A)	[●]
Pro forma consolidated NA per Share as at 30 June 2023 but before our Public Issue	(B)	0.16
Pro forma consolidated NA per Share as at 30 June 2023 after the Public Issue and the intended use of proceeds	(C)	[●]
Increase in the pro forma consolidated NA per Share attributable to existing shareholders	(C - B)	[●]
Dilution in the pro forma consolidated NA per Share to new investors	(A - C)	[●]
Dilution in the pro forma consolidated NA per Share to new investors as a percentage of the IPO Price	(A - C) / (A)	[●]%

Please refer to Section 14 of this Prospectus for further details of our Group's pro forma consolidated NA per Share as at 30 June 2023.

4. DETAILS OF OUR IPO

Save as disclosed below, there is no substantial disparity between our IPO Price and effective cash cost of our Shares acquired by our Promoters, Directors, substantial shareholders, Key Senior Management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares in the past three years and up to the LPD:

Name	No. of our Shares allotted before our IPO	Total consideration RM	Effective cash cost per Share RM
Promoter and substantial shareholder			
Mega Fortris Global	33,711,974 ⁽¹⁾	33,711,974	1.00

Note:

- (1) Issued pursuant to the Acquisitions as part of the Pre-IPO Reorganisation. Please refer to Section 6.1.2.1 of this Prospectus for further details on the Acquisitions.

Further, there are arrangements for (i) LOCAH and OCBC to swap their shareholdings in Mega Fortris Global with our Shares held by Mega Fortris Global after the moratorium period and (ii) Dato' Nick Ng and Datuk Adrian Ng to exchange the redeemable preference shares in Ng Brothers Estate held by their holders with our Shares after the moratorium period (if the option is exercised by the holders). Please refer to Sections 5.1.2(iv) and 5.1.3 of this Prospectus for further details. However, there will be no dilution in the shareholdings of our IPO investors given that our Company will not be issuing new Shares for the share exchange.

4.5 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:

Utilisation of proceeds		Note	Amount of proceeds		Estimated timeframe for utilisation from the date of our Listing
			(RM '000)	%	
Capital expenditures for:					
(i)	new production facilities (including centralised warehouse) with automated production lines for security seals in UK	(1)(i)	[●]	[●]	Within 36 months
(ii)	new business venture in providing total solution in supplying and handling of playing cards in sealed security boxes in Macao	(1)(ii)	[●]	[●]	Within 36 months
Working capital		(2)	[●]	[●]	Within six months
Defray listing expenses		(3)	[●]	[●]	Immediate
			[●]	100.00	

Notes:

4. DETAILS OF OUR IPO

(1) Capital expenditure:

We intend to allocate a total of approximately RM[●] million or [●]% of the Public Issue proceeds to fund the capital expenditures relating to the establishment of a New UK Factory and new business venture in providing total solution in supplying and handling of playing cards in sealed security boxes in Macao.

The estimated gross proceeds to be utilised per annum for the capital expenditures are as follows:

	Estimated gross proceeds to be utilised per annum					
	2025		2026		2027	
	RM' 000	%	RM' 000	%	RM' 000	%
Establishment of a New UK Factory	[●]	[●]	[●]	[●]	[●]	[●]
New business venture in Macao	[●]	[●]	[●]	[●]	[●]	[●]
Total	<u>[●]</u>	<u>100.00</u>	<u>[●]</u>	<u>100.00</u>	<u>[●]</u>	<u>100.00</u>

(i) New production facilities (including centralised warehouse) with automated production lines for security seals in UK

We intend to decentralise our manufacturing capacity and grow our business in foreign countries by setting up new production facilities for security seals including automated production lines (including centralised warehouse) in United Kingdom to service customers in the Europe, Americas, Middle East and Africa regions. The rationale for setting up the New UK Factory includes the following:

- (a) to improve service to our customers in the European region;
- (b) to enhance our Group's brand awareness and image in the European region; and
- (c) to optimise our Group's manufacturing operations, provide shorter lead-time and minimise logistics costs for the delivery of goods to customers. In addition, the New UK Factory will serve as a backup to our Group's existing manufacturing facilities in Malaysia.

We intend to utilise approximately RM[●] million, representing approximately [●]% of the gross proceeds to be raised from the Public Issue to set up the New UK Factory.

4. DETAILS OF OUR IPO

The operations of the New UK Factory will be undertaken by our subsidiary, namely Mega Fortris UK, and is to be implemented in three phases as set out below:

Purpose	Allocation of IPO proceeds (RM'000)	Expected timing for utilisation of proceeds
Phase 1 – To commence the set-up of the New UK Factory and also purchase additional laser marking machines, quality control equipment and related machines to be installed at the factory.	[●]	By 1 st quarter of 2026
Phase 2 – To identify the specific machinery and equipment and finalising the purchase of major machinery including two automated lines and nine cable processing and related machines.	[●]	By 1 st quarter of 2027
Phase 3 – To purchase additional major machinery including three automated lines, one automated machine for twister and one injection moulding machine.	[●]	By 3 rd quarter of 2027
Total	[●]	

As at the LPD, our Group is in the midst of finalising the tenancy agreement for the New UK Factory which is located opposite our Group's existing operations in United Kingdom. Please refer to Section 7.19.1.2 of this Prospectus for further details on the establishment of the New UK Factory.

We have carried out an internal technical assessment to ensure the New UK Factory's operations aligns with the requirements of our Group and a financial feasibility assessment for the New UK Factory that arrived at a payback period of approximately seven years.

If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded from the amount allocated for working capital, internally generated funds and/or bank borrowings. However, if the actual cost of the above planned utilisation is lower than the earmarked amount, the surplus will be used for working capital purposes.

4. DETAILS OF OUR IPO

(ii) **New business in providing total solution in supplying and handling of playing cards in sealed security boxes in Macao**

Our Group intends to venture into a new business to provide a total solution in supplying and handling of playing cards in sealed security boxes. This new business venture:

- (a) is complementary to our Group's existing business of manufacturing of security boxes for playing cards and security seals for the security boxes; and
- (b) allows our Group to offer an end-to-end solution to our customers who are casino operators, from the manufacturing, storage and handling of playing cards until the destruction of used playing cards.

Our Group intends to undertake the playing card business after taking into consideration that our Group currently serves 38 casino operators in Macao, Philippines, Vietnam, Cambodia and other countries for their security seals during the FYE Under Review. As our Group already have business relationships with them, these customers will form our Group's initial target customers for the playing cards business. Subsequently, our Group will expand its customer base to other countries in the Asia Pacific region.

The playing card business will be undertaken in two phases as set out below:

Phase	Brief description
Phase 1	<ol style="list-style-type: none"> To place orders for the First Playing Card Manufacturing Line. The first Playing Card Manufacturing Line will be housed at our Group's No. 25 and No. 27 Property in Selangor Our Group will also set up a production floor team for this new operation to carry out the manufacturing process for playing cards including sealing them in security boxes and handing of used playing cards. The cost for setting up the first manufacturing line and ancillary machines in Malaysia will be funded through internally generated funds and/or bank borrowings.
Phase 2	<ol style="list-style-type: none"> To place orders for the second Playing Card Manufacturing Line. Our Group intends to use a third-party subcontractor in Macao to carry out the manufacturing process for playing cards including sealing them in security boxes and handing of used playing cards. As such, our Group will consign the manufacturing line and place it at the subcontractor premises in Macao. The subcontractor will carry out the playing cards' production process and used card handling process based on the specifications of our Group while the relevant input materials will be supplied by our Group.

4. DETAILS OF OUR IPO

Phase	Brief description
	4. We intend to utilise approximately RM[●] million, representing approximately [●]% of the gross proceeds to be raised from the Public Issue to purchase, deliver, install and commission the second Playing Card Manufacturing Line in Macao.

Please refer to Section 7.19.2 of this Prospectus for further details on our future plans in regards to the new business in providing total solution in supplying and handling of playing cards in sealed security boxes.

The new business in providing total solution in supplying and handling of playing cards in sealed security boxes will be carried out by our subsidiary, namely Mega Pandai. Mega Pandai will be responsible for overseeing (i) the operation of the first Playing Card Manufacturing Line in Malaysia and (ii) the second Playing Card Manufacturing Line to be operated by the subcontractor in Macao.

Our Group intends to use a subcontractor to operate the second Playing Card Manufacturing Line in Macao as it does not have prior direct experience of manufacturing in Macao, and as the subcontractor is familiar with local authorities in Macao and have resources to operate in Macao.

On 18 January 2024, our Group entered into a memorandum of understanding with a subcontractor for the production of playing cards and handling of used cards in Macao. The expected responsibilities of our Group and the subcontractor for our new business venture in Macao are set out below:

No.	Responsibilities of our Group	Responsibilities of the subcontractor
(a)	Consign the second Playing Card Manufacturing Line	Identify and provide premises to house the second Playing Card Manufacturing Line
(b)	Purchase the second Playing Card Manufacturing Line (which includes delivery, installation and commissioning of the second Playing Card Manufacturing Line by the supplier)	Carry out renovation on the premises to carry out the manufacturing process for playing cards based on our Group's requirements and needs
(c)	Purchase and supply of input materials (including bearing logistics costs)	Provide necessary personnel to carry out the playing cards' manufacturing process and premises to store input materials and finished goods
(d)	Invoicing to the end customers in Macao and collection of revenue to be undertaken by Mega Pandai in Malaysia	Bear costs related to maintenance, utilities, overheads, production costs and insurance, and to invoice our Group a contract fee
(e)	-	Obtain all relevant licenses and approvals for the operations in Macao

4. DETAILS OF OUR IPO

We expect to place the purchase order for the second Playing Card Manufacturing Line to be housed in Macao by the 4th quarter of 2025, with expected delivery by the 4th quarter of 2027. Following the delivery, we plan to complete the installation and commissioning of the Playing Card Manufacturing Line at the subcontractor's premises in Macao by the 1st quarter of 2027.

We have carried out financial feasibility assessment for Phase 1 of the playing cards' business plan in Malaysia that arrived at a payback period of approximately four years. We expect our new business venture in Macao under Phase 2 to have a relatively similar payback period. This is because the Playing Card Manufacturing Line to be purchased for our new business venture in Macao is the same as the Playing Card Manufacturing Line to be purchased for the Malaysian playing cards' business plan under Phase 1. We intend to improve the execution of our new business venture in Macao by relying on our experience of manufacturing and handling of playing cards in Malaysia under Phase 1 which is expected to commence operations in March 2025.

If the actual cost of the above planned utilisation exceeds the earmarked amount, the shortfall will be funded from the amount allocated for working capital, internally generated funds and/or bank borrowings. However, if the actual cost of the above planned utilisation is lower than the earmarked amount, the surplus will be used for working capital purposes.

(2) Working capital

Our Group's working capital are expected to increase in tandem with the expected growth in our business and operations. We intend to allocate a total of approximately RM[•] million or [•]% of the IPO proceeds to finance our additional working capital in the following manner:

Details	RM'000	%
Purchase of input materials for our security seals operations ⁽¹⁾	[•]	[•]
General working capital	[•]	[•]
Total	[•]	100.00

Note:

- (1) Please refer to Section 7.16 of this Prospectus for further details on the input materials utilised by our Group.

If the actual cost of purchase of input materials for our security seals operations exceeds the earmarked amount, the shortfall will be funded from the amount allocated for general working capital, internally generated funds and/or bank borrowings. However, if the actual cost of the above planned utilisation is lower than the earmarked amount, the surplus will be used for general working capital purposes.

4. DETAILS OF OUR IPO

(3) Defray listing expenses

The following estimated expenses and fees incidental to our Listing amounting to approximately RM[●] million or [●]% shall be borne by our Company:

Expenses	RM'000
Professional fees ⁽¹⁾	[●]
Underwriting commission, brokerage fee and placement fee	[●]
Other fees and expenses relating to our Listing and contingencies ⁽²⁾	[●]
Regulatory fees	[●]
Total	[●]

Notes:

- (1) This includes advisory and/or professional fees for, among others, our Principal Adviser, legal advisers, Reporting Accountants and IMR.
- (2) This includes any other incidental charges or related expenses in connection with our IPO, such as printing and advertising fee, roadshow expenses, translation fees, public or investor relation consultant and funds reserved for contingency purposes.

If there is any shortfall or excess in the actual listing expenses as compared to the earmarked amount allocated, such amount will be adjusted accordingly against the portion allocated for working capital.

Pending the eventual utilisation of the proceeds from the Public Issue for the above intended purposes, we intend to place the proceeds raised (including accrued interest, if any) or the balance thereof in interest-bearing accounts with licenced financial institutions in Malaysia and/or money market deposit instruments / funds.

Our Company will not receive any proceeds from the Offer for Sale. Based on the IPO Price of RM[●] per Offer Share, the gross proceeds from the Offer for Sale of RM[●] million will accrue entirely to the Selling Shareholder. The Selling Shareholder shall bear the entire incidental expenses and fees relating to the Offer for Sale, the aggregate of which is estimated to be approximately RM[●] million.

4. DETAILS OF OUR IPO

4.6 BROKERAGE FEE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.6.1 Brokerage Fee

We will pay the brokerage fee in respect of our Issue Shares under the Retail Offering at the rate of 1.00% (exclusive of any applicable tax) of the IPO Price for all successful applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

Our Joint Placement Agents are entitled to charge brokerage commission of up to 1.00% to successful applicants under the Institutional Offering. For the avoidance of doubt, such brokerage commission will be paid by successful applicants under the Institutional Offering and will not be borne by us or the Selling Shareholder.

4.6.2 Underwriting Commission

As stipulated in the Underwriting Agreement, the Joint Underwriters have agreed to underwrite [●] Issue Shares under the Retail Offering ("**Underwritten Shares**") for an underwriting commission of 2.00% (exclusive of applicable tax) of the total value of the Underwritten Shares.

4.6.3 Placement Fee

Our Joint Placement Agents have agreed to place out 80,273,000 Issue Shares to institutional and selected investors, and identified Bumiputera investors approved by the MITI, and 147,871,000 Offer Shares to institutional and selected investors, and identified Bumiputera investors approved by the MITI. We and the Selling Shareholder will pay a placement fee of 2.00% (exclusive of applicable tax) and may pay a discretionary incentive fee of up to 0.50% (exclusive of applicable tax) of the total value of Issue Shares successfully placed out by our Joint Placement Agents.

4.7 SALIENT TERMS OF THE UNDERWRITING ARRANGEMENT

We had on [●], entered into the Underwriting Agreement with the Joint Underwriters to underwrite the Underwritten Shares, subject to the clawback and reallocation provisions as set out in Section 4.1.4 of this Prospectus and upon the terms and subject to the conditions of the Underwriting Agreement.

The salient terms of the Underwriting Agreement are as follows:

[●]

4. DETAILS OF OUR IPO

4.8 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS, which is operated by Bursa Depository. This will be effected based on the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, we will not deliver share certificates to the subscribers or purchasers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS Accounts, either directly in their names or through authorised nominees. Persons whose names appear in our Record of Depositors maintained by Bursa Depository will be treated as our shareholders in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fees of RM10 payable for each transfer not transacted on the market.

Shares held in CDS Accounts may not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares are required to trade under the odd lot market. Settlement and payment of trades done on a "ready" basis on Bursa Securities generally takes place on the second Market Day following the transaction date.

It is expected that our Shares will commence trading on Bursa Securities approximately 10 Market Days after the close of our IPO. Subscribers of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfer to other CDS Account in circumstances which do not involve a change in beneficial ownership) before the commencement of trading on Bursa Securities.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 OUR PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Shareholdings of our Promoters and substantial shareholders

Details of our Promoters' and substantial shareholders' shareholdings in our Company before and after our IPO are as follows:

Name	As at the LPD and before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Promoters and substantial shareholders								
Dato' Nick Ng	-	-	697,099,480 ⁽⁴⁾	100.00	-	-	549,228,480 ⁽⁴⁾	65.00
Datuk Adrian Ng	-	-	697,099,480 ⁽⁴⁾	100.00	-	-	549,228,480 ⁽⁴⁾	65.00
Mega Fortris Capital ⁽³⁾⁽⁸⁾	-	-	697,099,480 ⁽⁵⁾⁽⁶⁾	100.00	-	-	549,228,480 ⁽⁵⁾⁽⁶⁾	65.00
Ng Brothers Estate ⁽³⁾⁽⁹⁾	-	-	697,099,480 ⁽⁵⁾⁽⁶⁾	100.00	-	-	549,228,480 ⁽⁵⁾⁽⁶⁾	65.00
Mega Fortris Global ⁽¹⁰⁾	697,099,480	100.00	-	-	549,228,480	65.00	-	-
Substantial shareholders								
OCBC ⁽¹¹⁾	-	-	697,099,480 ⁽⁵⁾⁽⁷⁾	100.00	-	-	549,228,480 ⁽⁵⁾⁽⁷⁾	65.00
LOCAH ⁽¹²⁾	-	-	697,099,480 ⁽⁵⁾⁽⁷⁾	100.00	-	-	549,228,480 ⁽⁵⁾⁽⁷⁾	65.00

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Notes:

- (1) Based on the total number of 697,099,480 Shares as at the LPD and before our IPO.
- (2) Based on the enlarged total number of 844,972,480 Shares after our IPO.
- (3) Please refer to Section 2.2 of this Prospectus for details of pledges over shares of Mega Fortris Capital and Ng Brothers Estate in Mega Fortris Global in favour of the financial institutions.
- (4) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital, Ng Brothers Estate and Mega Fortris Global.
- (5) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Global.
- (6) 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.
- (7) 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.
- (8) Please refer to Section 5.1.2(iii) of this Prospectus for further details on the ultimate beneficial owners of Mega Fortris Capital.
- (9) Please refer to Section 5.1.2(iv) of this Prospectus for further details on the ultimate beneficial owners of Ng Brothers Estate.
- (10) Please refer to Section 5.1.2(v) of this Prospectus for further details on the ultimate beneficial owners of Mega Fortris Global.
- (11) Please refer to Section 5.1.2(vi) of this Prospectus for further details on the ultimate beneficial owners of LOCAH.
- (12) Please refer to Section 5.1.2(vii) of this Prospectus for further details on the ultimate beneficial owners of OCBC.

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Company.

Save as disclosed above, we are not aware of any other persons who is able to directly, or indirectly, jointly or severally, exercise control over our Company. As at the LPD, there is no arrangement between our Company and our Promoters, with any third parties, which may at a subsequent date result in the change in control of our Company.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1.2 Profiles of our Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:

(i) Dato' Nick Ng

Promoter, substantial shareholder and Non-Independent Non-Executive Chairman

Dato' Nick Ng, a Malaysian aged 74, is our Promoter, substantial shareholder and Non-Independent Non-Executive Chairman. He was appointed to our Board on 20 June 2001. He is currently responsible to lead our Board in the adoption of good corporate governance practices and steer our Board to perform its responsibilities to enhance the effectiveness of our Board.

He attended Georgetown Secondary School, Pulau Pinang for his secondary education until 1968. Upon completing his secondary education, he was on a three-year sabbatical from 1969 to 1972 to travel abroad and pursue his personal interests.

Dato' Nick Ng started his career in 1973 to join his family business, Soon Motors in Pulau Pinang, a sole proprietorship principally involved in operating an automobile workshop where he assisted in repairing and servicing automobiles up to 1978. In 1979, he started his own business and set up Fire Protection Services, a sole proprietorship principally involved in the selling and services of fire-fighting equipment.

In 1980, he set up Windex Trading Company, a sole proprietorship to venture into the import, export, and trading of fruits. In 1982, he formed two partnerships, namely The Card International and The Card Travels & Tours, to engage in general services including among others, reservation of air tickets and organisation of tours. In 1985, he returned to Soon Motors at the request of his father to assist with the family business. He left Soon Motors in 1992 and took a 6-year career break to pursue his personal interests in, amongst others, feng shui consultancy.

In 1998, he joined Fortris Malaysia as an adviser and consultant at the request of his brother, Datuk Adrian Ng, to venture collectively into the security seal business. In 2001, he became our Director upon the completion of the Asset Transfer before he was promoted to be our Executive Chairman in September 2014. He was primarily responsible for our Group's business expansion and revenue growth by expanding our Group's range of security seal products and was also responsible for managing our Group's public relations.

In August 2023, he took a step back from his executive role and was re-designated as our Non-Independent Non-Executive Chairman where he has assumed his current responsibilities.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

In his personal capacity, his notable achievements include being conferred Datoship by the Sultan of Pahang in October 2007, being awarded Malaysia Cyber Security Awards' Cyber Security Professional of the Year in 2016 and Binary University Malaysia's Entrepreneur Icon of Malaysia in 2018. He was also awarded InPenang International Outstanding Achievers Award, in recognition of his outstanding achievements and contributions to society in 2021.

Currently, he is also a director and shareholder of several private limited companies as disclosed in Section 5.2.3 of this Prospectus.

(ii) **Datuk Adrian Ng**

Promoter, substantial shareholder and Group Managing Director cum Group Chief Executive Officer

Datuk Adrian Ng, a Malaysian aged 59, is our Promoter, substantial shareholder and Group Managing Director cum Group Chief Executive Officer. He was appointed to our Board on 20 June 2001, and is currently responsible for the formulation of the overall direction and business development strategies of our Group. He is also a member of our Sustainability and Risk Management Committee.

In 1984, he enrolled on the course of Bachelor of Business Economics at the College of Wooster, United States of America. In 1986, he applied for a leave of absence from the College of Wooster to return to Malaysia and was unable to complete the course due to financial constraint. He obtained a European Master of Business Administration from the Paris Graduate School of Management in May 2004.

Datuk Adrian Ng started his career in 1986 with his family business, Soon Motors at Pulau Pinang, a sole proprietorship principally involved in operating an automobile workshop where he assisted in repairing and servicing automobiles.

He left Soon Motors to join Hong Leong Finance Berhad in May 1991 as a management trainee based in Kuala Lumpur, where he assisted, among others, in the assessment of bridging loans for property development projects. He left Hong Leong Finance Berhad in July 1991 to join Abric PSP Sdn Bhd, a company principally involved in manufacturing of security seal products as a marketing executive, and was later promoted to the position of marketing manager in July 1992 where he was in charge of sales and marketing of security seal products in domestic market.

He resigned from Abric PSP Sdn Bhd in January 1994 to travel overseas to evaluate business and market opportunities in the security seal industry, and to explore the economic benefits of integrating intellectual properties within the security seal products. In 1995, he was invited and became a director and shareholder in Fortris Malaysia to market and carry out the trading of beverage products together with his sister-in-law, Datin Chris Low Lai Peng and his brother, Ng Meng Tatt.

In 1996, he proposed for Fortris Malaysia to venture into the security seal business, and the trading of security seal products commenced in the same year. Subsequently, the company progressed to the design and manufacturing of its own security seals for sale.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

In 2000, he spearheaded the business cooperation between Fortris Malaysia and Bloxwich Security Products Ltd, a United Kingdom subsidiary of Mega First Corporation Berhad specialising in manufacturing and trading of cable security seals, to jointly market their respective security seal products. Subsequently, he led the merger of Fortris Malaysia's business operation with Bloxwich Security Products Sdn Bhd (later renamed to Mega Fortris) under the Asset Transfer where Fortris Malaysia transferred and disposed of all its businesses and assets to Mega Fortris before it eventually ceased business.

Following the Asset Transfer, Datuk Adrian Ng was appointed as the marketing director of our Company in 2000. He was also seconded to Bloxwich Engineering Ltd ("**Bloxwich Engineering**") in United Kingdom from December 2000 to 2003 to assist in the expansion and growth of the company's United Kingdom and Europe markets. During his tenure at Bloxwich Engineering, he was also responsible for streamlining Bloxwich Engineering's security seal's business operation with Mega Fortris (UK) (both Bloxwich Engineering and our Company were subsidiaries of Mega First Corporation Berhad with Mega Fortris (UK) being our subsidiary). In 2004, he returned to Malaysia and continued to serve as a marketing director of our Company, where he was responsible for the development of marketing strategies and global sales network of our Group, managing product development and key client relationships, and identifying and developing new business opportunities.

He was promoted to our Group Chief Executive Officer in September 2014 and assumed additional responsibility of overseeing the operations of our Group's foreign subsidiaries. He was re-designated as our Group Managing Director Cum Group Chief Executive Officer in October 2023, where he has assumed his current responsibilities.

In his personal capacity, his notable achievements include being awarded The Star's Outstanding Business Award for Male Entrepreneur of the Year in 2016, Ernst & Young's Malaysia Master Entrepreneur of the Year in 2017 and being conferred Datukship by the Governor of Melaka in August 2023.

Currently, he is also a director and shareholder of several private limited companies as disclosed in Section 5.2.3 of this Prospectus.

(iii) **Mega Fortris Capital**

Promoter and substantial shareholder

Mega Fortris Capital was incorporated in the British Virgin Islands under the British Virgin Islands Business Companies Act 2004 on 9 March 2018 as a British Virgin Islands business company and is deemed registered under the British Virgin Islands Business Companies Act 2004. The registered office address of Mega Fortris Capital is Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.

The principal activity of Mega Fortris Capital is investment holding.

As at the LPD:

- (a) the issued share capital of Mega Fortris Capital is SGD2,000,000.00 comprising 26,620,070 ordinary shares;
- (b) the directors of Mega Fortris Capital as at the LPD are Dato' Nick Ng, Datuk Adrian Ng and Cheng Chi-Chao; and

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

- (c) the shareholders of Mega Fortris Capital and their respective direct and indirect shareholdings in Mega Fortris Capital are as follows:

Shareholder	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Nick Ng	18,420,397	69.20	-	-
Datuk Adrian Ng	6,655,018	25.00	-	-
Ole Fast	898,896	3.38	-	-
Jor-Hol International ApS ⁽¹⁾	645,759	2.42	-	-
Mette Jordon Holmelund	-	-	645,759 ⁽²⁾	2.42
Claus Vaupell Holmelund	-	-	645,759 ⁽²⁾	2.42

Notes:

- (1) Jor-Hol International ApS is owned by Mette Jordon Holmelund (50.00%) and Claus Vaupell Holmelund (50.00%). The principal activity of Jor-Hol International ApS is national and international trade, and investment holding of companies and real estate.
- (2) Deemed interested by virtue of Section 8 of the Act held through Jor-Hol International ApS.

(iv) Ng Brothers Estate

Promoter and substantial shareholder

Ng Brothers Estate was incorporated in Malaysia on 28 August 2023 as a private company limited by shares. The registered office address of Ng Brothers Estate is No. 7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The principal activity of Ng Brothers Estate is as an investment holding in real estates and securities (listed and/or non-listed).

As at the LPD:

- (a) the issued share capital of Ng Brothers Estate is RM10,000,100.00 comprising 100 ordinary shares and 10,000,000 redeemable preference shares ("RPS").
- (b) the directors of Ng Brothers Estate are Dato' Nick Ng and Datuk Adrian Ng; and
- (c) the shareholders of Ng Brothers Estate and their respective direct and indirect shareholdings in Ng Brothers Estate are as follows:

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

1. ordinary shareholders

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Nick Ng	50	50.00	-	-
Datuk Adrian Ng	50	50.00	-	-

2. RPS holders

	Direct		Indirect	
	No. of RPS	%	No. of RPS	%
Chow Cheng Juen	6,000,000	60.00	-	-
Chow Choon Futt	2,000,000	20.00	-	-
Ho Phon Guan	1,000,000	10.00	-	-
Low Ai Lee	1,000,000	10.00	-	-

On 10 January 2024, Ng Brothers Estate had completed its acquisition of the entire 14.78% equity interest held by EDBI in Mega Fortris Global for a purchase consideration of RM75,891,075.61, which was funded via a combination of bank borrowings and part of the proceeds raised from the issuance of RPS by Ng Brothers Estate (approximately RM5.90 million out of the total of RM10.00 million raised from RPS holders).

The terms of RPS include that the RPS holders cannot transfer, sell, assign, or otherwise dispose of the RPS except in the following event:

- (i) redemption of the RPS if our IPO does not materialise for whatsoever reason within a period of two years commencing from 3 January 2024 ("**Tenure**") or for another extended term not exceeding three years from the expiry of the Tenure at the RPS holder's option; or
- (ii) exchange of the RPS with our Shares, in the following manner:
 - (a) the RPS holders and Dato' Nick Ng and Datuk Adrian Ng will only be able to exchange the RPS with our Shares after the period of six months from the moratorium period;
 - (b) the subscription amount of RPS of RM10.0 million is exercisable to an equity interest of 2.78% in our Company, calculated based on the exchange price valuing our Company at RM[•] million ("**Exchange Price**"); and
 - (c) further, RPS holders may also be paid in cash if (a) they opted for a cash option; or (b) Ng Brothers Estate is unable to effect the exchange of our Shares. The cash consideration is to be calculated based on our share price following the expiry of the moratorium period.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

If the RPS holders decide to exchange all of their RPS into our Shares after the moratorium period, the maximum equity interest that may be held by them in our Company is only 2.78%. Further, there will be no dilution to your shareholdings in our Company as the share exchange does not entail the issuance of new Shares by us to the RPS holders, and the cash consideration is not payable by us.

(v) Mega Fortris Global
Promoter and substantial shareholder

Mega Fortris Global was incorporated in Singapore on 21 September 2018 as a private company limited by shares. The registered office address of Mega Fortris Global is 16 Collyer Quay, #17-00, Collyer Quay Centre, Singapore 049318.

The principal activity of Mega Fortris Global is investment holding including activities of head and regional offices, centralised administrative offices and subsidiary management offices.

As at the LPD:

- (a) the issued share capital of Mega Fortris Global is SGD25,800,002.00 comprising 33,799,500 ordinary shares;
- (b) the directors of Mega Fortris Global are Dato' Nick Ng, Datuk Adrian Ng and Chua Sia Hong; and
- (c) the shareholders of Mega Fortris Global and their respective direct and indirect shareholdings in Mega Fortris Global are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
Dato' Nick Ng	-	-	25,013,891 ⁽¹⁾	74.01
Datuk Adrian Ng	-	-	25,013,891 ⁽¹⁾	74.01
Mega Fortris Capital	20,018,891	59.23	-	-
LOCAH	5,590,842	16.54	-	-
OCBC	3,194,767	9.45	-	-
Ng Brothers Estate	4,995,000	14.78	-	-

Note:

- (1) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital and Ng Brothers Estate.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

(vi) LOCAH

Substantial shareholder

LOCAH was incorporated in Singapore on 23 October 2014 as a private company limited by shares. The principal activity of LOCAH is investment holding.

As at the LPD:

(a) the issued share capital of OCBC is:

1. SGD5,121,438.00 comprising 5,121,438 ordinary shares;
2. SGD58,471,908.00 comprising 58,471,908 preference shares; and
3. USD54,583,832.00 comprising 54,583,832 preference shares;

(b) the directors of LOCAH are Teo Joo Wah, Daniel Kwan Chieu Bock, David Cheng Chi-Jian and Wong Khong Chung (alternate director to Teo Joo Wah); and

(c) the substantial shareholders of LOCAH and their respective direct and indirect shareholdings in LOCAH are as follows:

1. ordinary shareholders

Name	Nationality / Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
LGCP	Singapore	5,121,438	100.00	-	-
LGIL	Singapore	-	-	5,121,438 ⁽¹⁾	100.00
Orient	Singapore	-	-	5,121,438 ⁽²⁾	100.00
GE	Singapore	-	-	5,121,438 ⁽²⁾⁽⁴⁾	100.00
OCBC	Singapore	-	-	5,121,438 ⁽³⁾⁽⁴⁾	100.00

2. preference shareholders (USD)

Name	Nationality / Place of incorporation	Direct		Indirect	
		No. of preference shares	%	No. of preference shares	%
LGCP	Singapore	54,583,832	100.00	-	-
LGIL	Singapore	-	-	54,583,832 ⁽¹⁾	100.00
Orient	Singapore	-	-	54,583,832 ⁽²⁾	100.00
GE	Singapore	-	-	54,583,832 ⁽²⁾⁽⁴⁾	100.00
OCBC	Singapore	-	-	54,583,832 ⁽³⁾⁽⁴⁾	100.00

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

3. preference shareholders (SGD)

Name	Nationality / Place of incorporation	Direct		Indirect	
		No. of preference shares	%	No. of preference shares	%
LGCP	Singapore	58,471,908	100.00	-	-
LGIL	Singapore	-	-	58,471,908 ⁽¹⁾	100.00
Orient	Singapore	-	-	58,471,908 ⁽²⁾	100.00
GE	Singapore	-	-	58,471,908 ⁽²⁾⁽⁴⁾	100.00
OCBC	Singapore	-	-	58,471,908 ⁽³⁾⁽⁴⁾	100.00

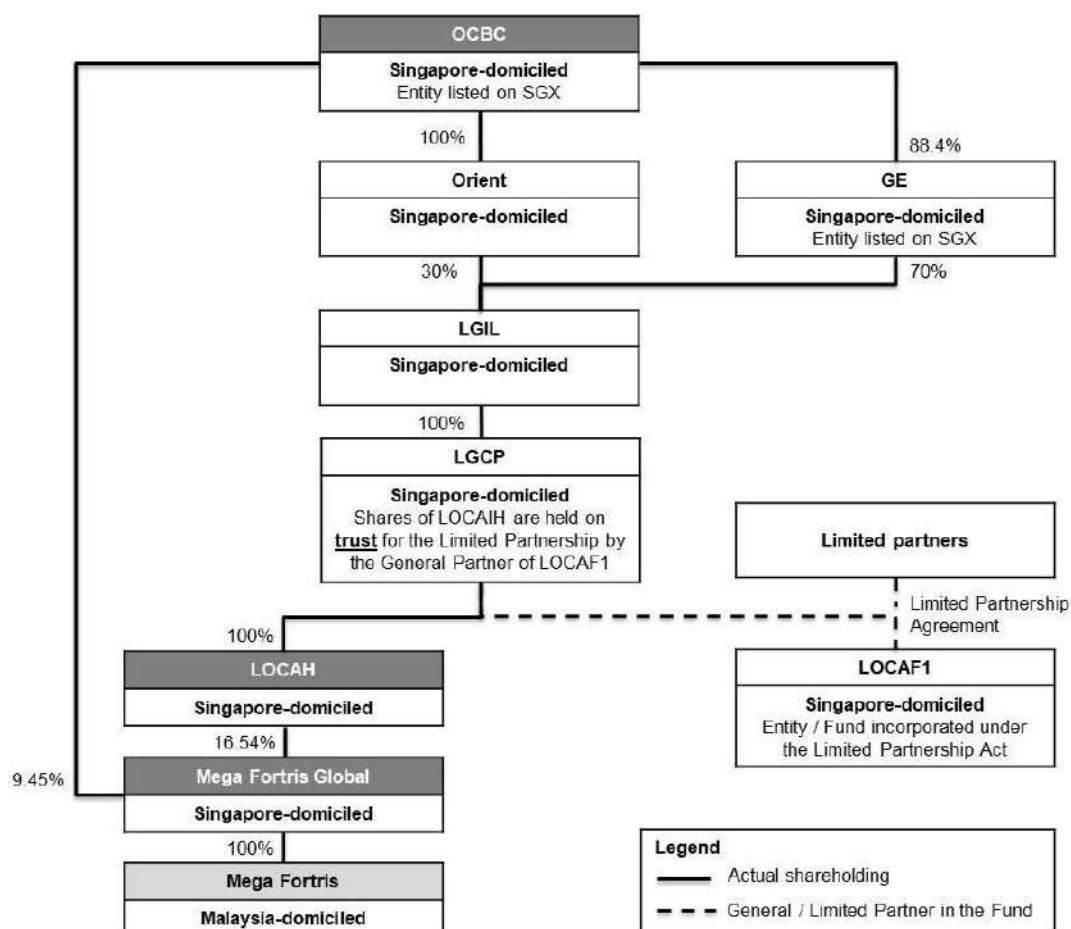
Notes:

- (1) Deemed interested by virtue of Section 8 of the Act held through LGCP.
- (2) Deemed interested by virtue of Section 8 of the Act held through LGCP and LGIL.
- (3) Deemed interested by virtue of Section 8 of the Act held through LGCP, LGIL, Orient and GE.
- (4) GE and OCBC are companies listed on the SGX.

LOCAH is an asset holding vehicle, which is wholly-owned directly by LGCP as the general partner for and on behalf of LOCAF1, a private investment fund structured as a Singapore limited partnership. LGCP is a wholly-owned subsidiary of LGIL, which is in turn 30.00% owned by Orient and 70.00% owned by GE, both of which are subsidiaries of OCBC.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

A structure chart of the OCBC Entities is as follows:



The relationship between the OCBC Entities in respect of LOCAF1 is as follows:

- the limited partners are third party investors which contribute to the investment capital of LOCAF1 independent of OCBC. OCBC is not a limited partner of LOCAF1;
- LGCP is the general partner of LOCAF1 and fiduciary for the limited partners of LOCAF1;
- LGCP (as the general partner and on behalf of LOCAF1) had appointed LGIL as fund manager for LOCAF1's investments pursuant to the amended and restated fund management agreement dated 31 March 2015; and
- LGCP (as the general partner and on behalf of LOCAF1) had appointed OCBC as investment adviser for LOCAF1's investments pursuant to the investment advisory agreement dated 31 March 2015, as supplemented by the first supplemental agreement dated 16 October 2015 and second supplemental agreement dated 31 December 2019.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

LOCAH's participation in our Company, via Mega Fortris Global, being one of their investee companies, is solely for financial investment purposes only. LOCAH and the limited partners of LOCAF1 are not involved in the day-to-day management and operations of our Group, and they do not have control on the direction, allocation and usage of our Group's financial resources. There is no single limited partner of LOCAF1 who has any control or ability to participate in the management of LOCAF1 or ultimately LOCAF1's investee companies, including LOCAH.

The limited partners of LOCAF1 do not have any family relationship with our Directors, Promoters, substantial shareholders and Key Senior Management. Our Directors, Promoters, substantial shareholders and Key Senior Management do not have any interest in the shares held by LOCAH as an asset holding vehicle which is wholly-owned directly by LGCP (as the general partner for and on behalf of LOCAF1).

(vii) OCBC

Substantial shareholder

OCBC was incorporated in Singapore on 31 October 1932 as a public company limited by shares. Further, OCBC and its subsidiaries are principally engaged in the business of banking, life insurance, general insurance, asset management, investment holding, futures and stockbroking.

As at the LPD:

- (a) the issued share capital of OCBC is SGD18,461,952,134.85 comprising 4,514,890,821 ordinary shares. The shares of OCBC are listed on the SGX.
- (b) the directors of OCBC are Andrew Lee Kok Keng, Chong Chuan Neo, Chua Kim Chiu, Andrew Khoo Cheng Hoe, Lee Tih Shih, Christina Hon Kwee Fong, Seck Wai Kwong, Pramukti Surjaudaja, Tan Yen Yen and Helen Wong Pik Kuen.
- (c) the substantial shareholders of OCBC are as follows:

Name	Nationality / Place of incorporation	Direct no. of shares	Indirect no. of shares	Total no. of shares	% ⁽¹⁾
Lee Foundation	Singapore	189,310,098 ⁽²⁾	31,835,411 ⁽³⁾	221,145,509	5.13
Selat (Pte) Limited	Singapore	467,604,264	181,721,294 ⁽⁴⁾	649,325,558	14.44

Notes:

- (1) The percentage is calculated based on the total number of issued shares (excluding treasury shares) as at the date of the latest notification given by the relevant substantial shareholder under the Singapore's Securities and Futures Act 2001 ("**SFA 2001**").
- (2) Does not include shares acquired pursuant to OCBC's scrip dividend scheme in October 2019, October 2020 and June 2021 respectively. As the acquisitions did not result in any overall percentage level changes in Lee Foundation's total interest in OCBC, no notification of the changes was required to be given under the SFA 2001.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

- (3) Represents Lee Foundation's deemed interest in (a) the 29,222,140 shares held by Lee Pineapple Company (Pte) Limited, and (b) the 2,613,271 shares held by Peninsula Plantations Sdn Bhd ("Peninsula Plantations"). Lee Foundation has, however, informed OCBC in writing that it has ceased to have a deemed interest in the shares held by Peninsula Plantations following a corporate restructuring exercise but that, as the cessation did not result in an overall percentage level change in Lee Foundation's total interest in OCBC, no notification of the change was required to be given under the SFA 2001.
- (4) Represents Selat (Pte) Ltd's deemed interest in the 181,721,294 shares held by Herald Investment Pte Ltd.

5.1.3 Proposed swap of LOCAH and OCBC's entire shareholdings in Mega Fortris Global with our Shares held by Mega Fortris Capital and Ng Brothers Estate via Mega Fortris Global

On 4 February 2024, Mega Fortris Capital and Ng Brothers Estate have signed a letter of undertaking with LOCAH and OCBC to swap LOCAH and OCBC entire shareholdings in Mega Fortris Global with our Shares held by Mega Fortris Global after the moratorium period ("**Proposed Share Swap**"), subject to receipt of written notice by LOCAH and OCBC to implement the Proposed Share Swap.

The Proposed Share Swap shall be conducted based on the following formula:

$$A = \frac{B}{C} * D$$

Legend:

- A = number of our Shares to be received by OCBC and LOCAH
- B = number of existing shares held by OCBC and LOCAH in Mega Fortris Global
- C = number of outstanding shares in Mega Fortris Global
- D = number of our Shares held by Mega Fortris Global after Offer for Sale

As shown above, there will be no dilution to your shareholdings in our Company as the Proposed Share Swap does not entail the issuance of new Shares by us.

If LOCAH and OCBC decide to undertake the Proposed Share Swap and RPS holders exercise their option to exchange their RPS with our Shares (assuming Dato' Nick Ng and Datuk Adrian Ng effect Mega Fortris Global to undertake such exchange), the equity interest of Mega Fortris Global in our Company is expected to reduce from 65.00% (being its expected shareholding in our Company immediately upon our Listing) to 45.32%, with OCBC, LOCAH and RPS holders holding 6.15%, 10.75% and 2.78%, respectively, in our Company.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1.4 Changes in our Promoters' and substantial shareholders' shareholding in our Company

The changes in our Promoters' and substantial shareholders' shareholdings in our Company for the past three years preceding the LPD are set out below:

Name	As at 30 June 2021				As at 30 June 2022			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Promoters and substantial shareholders								
Dato' Nick Ng	-	-	1,143,000 ⁽⁴⁾	100.00	-	-	1,143,000 ⁽⁴⁾	100.00
Datuk Adrian Ng	-	-	1,143,000 ⁽⁴⁾	100.00	-	-	1,143,000 ⁽⁴⁾	100.00
Mega Fortris Capital	-	-	1,143,000 ⁽⁵⁾	100.00	-	-	1,143,000 ⁽⁵⁾	100.00
Ng Brothers Estate	-	-	-	-	-	-	-	-
Mega Fortris Global	1,143,000	100.00	-	-	1,143,000	100.00	-	-
Substantial shareholders								
LOCAH	-	-	1,143,000 ⁽⁵⁾⁽⁶⁾	100.00	-	-	1,143,000 ⁽⁵⁾⁽⁶⁾	100.00
OCBC	-	-	1,143,000 ⁽⁵⁾⁽⁶⁾	100.00	-	-	1,143,000 ⁽⁵⁾⁽⁶⁾	100.00

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name	After the Acquisitions and as at 30 June 2023				After Acquisitions of Mega Fortris' Security Bags' Minority Interests, Share Split, Share Consolidation and as at the LPD			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	No. of Shares	% ⁽³⁾
Promoters and substantial shareholders								
Dato' Nick Ng	-	-	34,854,974 ⁽⁴⁾	100.00	-	-	697,099,480 ⁽⁷⁾	100.00
Datuk Adrian Ng	-	-	34,854,974 ⁽⁴⁾	100.00	-	-	697,099,480 ⁽⁷⁾	100.00
Mega Fortris Capital	-	-	34,854,974 ⁽⁵⁾	100.00	-	-	697,099,480 ⁽⁵⁾⁽⁸⁾⁽⁹⁾	100.00
Ng Brothers Estate	-	-	-	-	-	-	697,099,480 ⁽⁵⁾⁽⁸⁾⁽⁹⁾	100.00
Mega Fortris Global	34,854,974	100.00	-	-	697,099,480	100.00	-	-
Substantial shareholders								
LOCAH	-	-	34,854,974 ⁽⁵⁾⁽⁶⁾	100.00	-	-	697,099,480 ⁽⁵⁾⁽⁶⁾	100.00
OCBC	-	-	34,854,974 ⁽⁵⁾⁽⁶⁾	100.00	-	-	697,099,480 ⁽⁵⁾⁽⁶⁾	100.00

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Notes:

- (1) Based on the total number of 1,143,000 Shares.
- (2) Based on the total number of 34,854,974 Shares after the Acquisitions and as at 30 June 2023.
- (3) Based on the total number of 697,099,480 Shares after the Acquisitions of Mega Fortris' Security Bags' Minority Interests, Share Split, Share Consolidation and as at LPD.
- (4) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital and Mega Fortris Global.
- (5) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Global.
- (6) 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.
- (7) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital, Ng Brothers Estate and Mega Fortris Global.
- (8) 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.
- (9) Please refer to Section 2.2 of this Prospectus for details of pledges over shares of Mega Fortris Capital and Ng Brothers Estate in Mega Fortris Global in favour of the financial institutions.

5.1.5 Amounts or benefits paid or intended to be paid or given to our Promoters and substantial shareholders

Save for the issuance of our Shares as consideration pursuant to the Acquisitions and Acquisition of Mega Fortris Security Bag's Minority Interest as disclosed in Sections 6.1.2.1 and 6.1.2.2 of this Prospectus, and the aggregate remuneration and benefits in-kind paid and proposed to be paid to our Promoters and substantial shareholders for services rendered to our Group as set out in Section 5.2.4 of this Prospectus, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and substantial shareholders within the two years preceding the date of this Prospectus and up to the LPD.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.2 BOARD OF DIRECTORS

5.2.1 Shareholdings of our Directors

The shareholdings of our Directors before and after our IPO are as follows:

Directors	Nationality	As at the LPD and before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Nick Ng	Malaysian	-	-	697,099,480 ⁽³⁾	100.00	-	-	549,228,480 ⁽³⁾	65.00
Datuk Adrian Ng	Malaysian	-	-	697,099,480 ⁽³⁾	100.00	-	-	549,228,480 ⁽³⁾	65.00
Ng Weng Choi	Malaysian	-	-	-	-	2,500,000	0.30	-	-
Shireen Iqbal Binti Mohamed Iqbal	Malaysian	-	-	-	-	500,000	0.06	-	-
Tan Kok Yang	Malaysian	-	-	-	-	500,000	0.06	-	-
Lew Siew Yen	Malaysian	-	-	-	-	500,000	0.06	-	-

Notes:

- (1) Based on the total number of 697,099,480 Shares as at the LPD and before our IPO.
- (2) Based on the enlarged total number of 844,972,480 Shares after our IPO and assuming full subscription of the IPO Shares reserved under the Pink Form Allocation.
- (3) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital, Ng Brothers Estate and Mega Fortris Global.

Our Directors (save for Dato' Nick Ng and Datuk Adrian Ng) may subscribe for excess IPO Shares under Pink Form Allocation and Public Issue.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.2.2 Profiles of Directors

Please refer to Section 5.1.2 of this Prospectus for the profiles of Dato' Nick Ng and Datuk Adrian Ng. The profiles of our other Directors are as follows:

(i) Ng Weng Choi
Executive Director

Ng Weng Choi, a Malaysian aged 69, was appointed as our Executive Director on 19 September 2017. In his capacity as our Executive Director, he oversees the human resource and business development departments, where he is responsible for planning and implementing our Group's human resource and business development strategies to align with our Group's overall goals and objectives.

He enrolled in a course with the Association of Chartered Certified Accountants at London School of Accountancy, United Kingdom in 1980. As part of the course, he joined Kalman, Blech & Co, an audit firm in the United Kingdom in August 1981 as a trainee audit clerk. He left the course to pursue a Bachelor of Business Administration from Newport University in California, USA, from which he graduated in July 1985.

Upon graduation, he returned to Malaysia and joined Double RR Debts Collection (Malaysia) Sdn Bhd in 1986 as an accounts and administrative manager, where he was involved in accounts, supervised the debt collectors and furnished reports to clients. He left to join Five Objectives (M) Sdn Bhd in December 1989 as an administrative executive, where he negotiated with defaulters on a scheme of settlement and report to the clients which were financial institutions.

He left Five Objectives (M) Sdn Bhd in 1996 to join Fortris Malaysia in April 1996 as an administrative and accounts manager, and was appointed as a director in February 1997. He subsequently joined Mega Fortris in September 2000 as a general manager where he supervised various departments (such as human resource, and accounts and finance). From 2001 to 2008, he was the alternate director to Datuk Adrian Ng in our Company. He later resigned as alternate director and was appointed as director in January 2008. He resigned as a director in October 2014 to pursue his personal interest.

In September 2017, he has assumed his current position as our Executive Director, where he has assumed his current responsibilities.

(ii) Shireen Iqbal Binti Mohamed Iqbal
Senior Independent Non-Executive Director

Shireen Iqbal binti Mohamed Iqbal, a female aged 56, was appointed as our Senior Independent Non-Executive Director on 20 October 2023. She is also the Chairman of our Nominating Committee, Sustainability and Risk Management Committee, and a member of our Audit Committee and Remuneration Committee.

She graduated with a Bachelor of Arts with (Honours) – Law degree from the University of Kent, Canterbury, United Kingdom in July 1991. She is a member of the Institute of Corporate Directors Malaysia since August 2022 and a holder of a capital markets services representative's licence from the SC under the CMSA for advising on fund management. She has more than 31 years of working experience, with 23 years in real estate and property.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

She started her career with Mayban Securities Sdn Bhd as a management trainee in January 1993, where she was responsible for treasury dealings. She left to join Caltex Oil Malaysia Limited in April 1993 as a marketing executive. She later left in July 1995 to join Shell Malaysia Trading Sdn Bhd in October 1995 as a retail network manager, and was promoted to marketing manager in August 1999 where she was involved in fuel marketing. She left in July 2000 to join Tesco Stores Malaysia Sdn Bhd in August 2000 as a property manager. She was promoted several times while within Tesco Stores Malaysia Sdn Bhd, namely as director of property in April 2005, property acquisition director in March 2007, and property director in January 2011. During her tenure with the company, she was instrumental in the acquisition of a significant competitor, and putting in place governance, reporting, risk and compliance system.

She left Tesco Stores Malaysia Sdn Bhd in December 2014 and joined Malaysian Resources Corporation Berhad in January 2015 as a senior vice president of group retail asset development. She left Malaysian Resources Corporation Berhad in December 2018 as a chief operating officer of the property division, where she was responsible for various commercial, residential and retail projects including the development and operations of the Penang Sentral Transit Terminal, and putting in place operational strategy, governance and reporting systems for property development, delivering focus and accountability to business units.

She joined Alpha REIT Managers Sdn Bhd in February 2019 as a chief executive officer and an executive director, a position she presently holds, focusing on education real estate.

Currently, she is also a director and shareholder of several other private limited companies as disclosed in Section 5.2.3 of this Prospectus.

(iii) **Tan Kok Yang** *Independent Non-Executive Director*

Tan Kok Yang, a Malaysian aged 63, was appointed as our Independent Non-Executive Director on 20 October 2023. He is also the chairman of our Audit Committee, and a member of our Remuneration Committee, Nominating Committee, and Sustainability and Risk Management Committee.

He graduated with a Bachelor of Arts from Universiti Kebangsaan Malaysia in August 1984, and a Master of Business Administration from Southern Cross University, Australia in September 2004. He has more than 33 years of working experience in the banking industry (mainly banking services and operations, and cash management).

He started his career in September 1984 as a human resource officer at Development & Commercial Bank Bhd (currently known as RHB Bank Berhad), before he was transferred as an officer in the bank's branch to gain exposure in the field of banking services and operations. He left the bank and joined Standard Chartered Bank (M) Bhd in April 1990. During his tenure with Standard Chartered Bank (M) Bhd, he held several positions, including bank officer and back-office operation manager, before he left in April 2004 as the head of cash management services, where he was leading a team to manage cash management services and operations, and was also entrusted with regional systems testing on cash management products and services covering Malaysia, Singapore and Hong Kong, as well as setting up a centralisation system for bank remittances. He joined Citibank Malaysia in April 2004 as a vice president and head of transaction services, where he was responsible for the overall daily operations of the bank as well as setting up a project management team on outsourcing of operational processes to third parties.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

He left Citibank Malaysia and joined United Overseas Bank (M) Bhd in January 2006 as a vice president, head of cash management services, where he was involved in setting up a new cash management department in the bank, creating new cash management products and leading a team to sell these cash management products and services to business customers. He left United Overseas Bank (M) Bhd in November 2009 and joined Alliance Bank (M) Bhd in the same month as a senior vice president, head of cash management services. Subsequently, with the enlarged transaction banking, he took over the role of senior vice president, head of cash and trade sales, overseeing the sales cash management and trade services products, before his retirement in March 2017.

Currently, he does not hold any directorship and shares outside our Group.

(iv) **Lew Siew Yen**

Independent Non-Executive Director

Lew Siew Yen, a Malaysian aged 64, was appointed as our Independent Non-Executive Director on 20 October 2023. She is also the Chairman of our Remuneration Committee, and a member of our Audit Committee, Nominating Committee, and Sustainability and Risk Management Committee.

She graduated from University of Birmingham with a Bachelor of Commerce (Accounting) in July 1983. She is a certified public accountant of the Malaysian Institute of Certified Public Accountants (formerly known as the Malaysian Association of Certified Public Accountants) since January 1990. She has more than 34 years of working experience in the banking industry (mainly commercial and corporate banking).

She began her career in June 1984 when she joined Hanafiah Raslan & Mohamad (which was subsequently merged with Ernst & Young in 2002) as an audit assistant and left the firm as an auditor senior in June 1988. During her tenure there, she was responsible for conducting statutory audit works on companies across various industries.

She left to join Sungei Way Properties Sdn Bhd as an accountant in July 1988 where she was responsible for preparing the budget and projected cashflow for property development projects, assisting the general manager in the implementation of strategic plans for property management and property development projects and supporting the accounting and treasury function of the property division of the company.

Subsequently, she left to join Overseas Union Bank (M) Berhad (which was then acquired by United Overseas Bank (M) Berhad in February 2002) as a senior officer for the bank's Leboh Pasar Branch's operations in April 1989 and was promoted to the position of senior team leader, commercial banking (commercial lending I – branch management) in May 2002. During her tenure with the bank, she was primarily responsible for growing the commercial banking business in Klang Valley's middle market sector whilst supporting the business growth of Penang, Johor and Melaka branches. In addition, she was also tasked to conduct account restructuring, develop new businesses and fixed deposits, as well as cross-sell various bank products including loans, trades, foreign exchange transactions, cash management and foreign currency accounts.

In October 2002, she left to join AmBank Berhad as an assistant general manager, business banking division where she was responsible for expanding the loan base of the bank in the middle market sector, the establishment and business growth of commercial business centres in Klang, Damansara Utama and Medan Pasar areas, as well as coordinating the provision of training modules to improve staff's performance.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

She then left to join EON Bank Berhad (which was then acquired by Hong Leong Bank Berhad) in March 2004 as a vice president, group enterprise banking. During her tenure with the bank, she grew the loan base of the bank. In addition, she was also responsible for, amongst others, reviewing new and existing loan profiles using in-depth credit assessment measures and cross-selling the bank's products and services including loans, trade facilities, deposits and foreign exchange business.

She joined Hong Kong Shanghai Bank Corporation Malaysia Berhad in September 2006 as a senior relationship manager, commercial banking for seven months. During her tenure with the bank, she was responsible for business development to expand the bank's corporate client profile.

She then left Hong Kong Shanghai Bank Corporation Malaysia Berhad and took a short career break before joining Citibank Berhad in July 2007 as a relationship manager in global relationship banking. Subsequently, she was promoted to director of global subsidiaries group in January 2012, where she was responsible for managing the bank's global multinational companies ("MNCs") profile and providing various structured solutions to support their cash management, working capital management and treasury requirements. In addition, she also coordinated with the Japanese regional desk to expand the bank's Japanese portfolio, as well as collaborated with all product units, business units and support departments locally and globally.

In May 2016, she returned to United Overseas Bank (M) Berhad and assumed dual roles as a head of multinational corporate in wholesale banking and as a general manager for the bank's Labuan branch. As head of multinational corporate in wholesale banking, she was primarily responsible for setting up and developing the MNCs corporate business and portfolio for the bank (with a focus on USA and European entities) and leading the bank's client engagement efforts at C-suite levels in both country and regional levels. As the general manager for the bank's Labuan branch, she was responsible for managing the bank's Labuan offshore business and developing corporate relationships with customers of the bank's Labuan office, as well as ensuring the compliance with the relevant regulatory requirements for the establishment and operation of the Labuan office. During her tenure with the bank, she was also responsible for marketing, originating and implementing corporate proposals for various corporate banking solutions, including fund-raising, financial supply chain management and digitalisation. In January 2023, she was elevated to the position of adviser at multinational corporate, corporate banking, a position she assumed until she retired from United Overseas Bank (M) Berhad in end of March 2023.

Currently, she is also a director and shareholder of a private limited company as disclosed in Section 5.2.3 of this Prospectus.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.2.3 Principal directorships and business activities of our Directors outside our Group

Save as disclosed below, none of our Directors have any other principal directorships or principal business activities outside our Group as at the LPD (“**Present Involvement**”) and other principal directorships outside our Group for the past five years from the LPD (“**Past Involvement**”):

(i) Dato’ Nick Ng

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Present Involvement						
Horizonshoppes (Malaysia) Sdn Bhd	Investment in real estates and securities (listed and/or non-listed)	Director and Shareholder	9 February 2006	-	50.00	-
Mega Plusport Global Sdn Bhd	Engaged in online retail business of food and beverages (currently dormant)	Director and Shareholder	1 August 2023	-	70.00	-
MFG Capital Sdn Bhd	Investment holding (Investment in securities (listed and non-listed) not in similar business to our Group) (currently dormant)	Director and Shareholder	28 December 2016	-	50.00	-
Ng Brothers Estate Sdn Bhd	Investment holding in real estates and securities (listed and/or non-listed)	Director and Shareholder	28 August 2023	-	50.00	-
Mega Capital	Investment holding (investment in listed and non-listed securities)	Director and Shareholder	12 March 2018	-	69.20	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Mega Fortris Global	1. Other holding companies	Director	21 September 2018	-	-	74.01 ⁽¹⁾
	2. Activities of head and regional offices; centralised administrative offices and subsidiary management offices					
Mega Fortris Management Pte Ltd	Activities of head and regional head offices; centralised administrative offices and subsidiary management office – group management and shared services, regional operations headquarters	Director	12 June 2019	-	-	100.00 ⁽²⁾
Khee San Berhad	Investment holding (investment in manufacturing and distribution of candy)	Shareholder	-	-	12.42	-
Past Involvement						
MF Panca Sdn Bhd	Other manufacturing n.e.c. <i>(dissolved on 5 January 2024)</i>	Director and Shareholder	25 September 2003	-	90.00	-
MF Telematics Sdn Bhd	Provider of radio frequency identification tracking and vehicle tracking solutions and in investment holding <i>(dissolved on 4 September 2023)</i>	Director and Shareholder	14 September 2012	-	70.00	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Tera IT Solutions Sdn Bhd	Providing consulting services and software development <i>(dissolved on 17 February 2023)</i>	Director and shareholder	23 November 2006	-	75.00	-
Cybertronium Sdn Bhd	Information technology, information technology security, training and certification	Director	29 August 2013	10 November 2020	-	-
Mega Security Devices (M) Sdn Bhd	Manufacturing and trading of security and tamper evident labels	Director	11 October 2011	18 April 2022	-	-
MF Telematics (Penang) Sdn Bhd	Dealing in radio frequency identification tracking and vehicle tracking solutions <i>(dissolved on 12 October 2021)</i>	Director	18 April 2013	-	-	100.00 ⁽³⁾
MFSS	Providing information technology and related services	Director	31 December 2001	3 April 2023	-	-
MIOT	Provider of radio frequency identification tracking and vehicle tracking solutions and in investment holding	Director	21 April 2015	3 April 2023	-	-
Shaoxing Mega Fortris Seals Co., Ltd	Manufacturing and trading of security seals <i>(struck off on 21 March 2023)</i>	Director	30 June 2006	-	-	57.50 ⁽⁴⁾

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Notes:

- (1) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital and Ng Brothers Estate.
- (2) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital, Ng Brothers Estate, and Mega Fortris Global.
- (3) Deemed interested by virtue of Section 8 of the Act held through MF Telematics Sdn Bhd.
- (4) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital, Ng Brothers Estate, Mega Fortris Global and Mega Fortris.

(ii) Datuk Adrian Ng

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Present Involvement						
Horizonshoppes (Malaysia) Sdn Bhd	Investment in real estates and securities (listed and/or non-listed)	Director and Shareholder	26 March 2007	-	50.00	-
Mega Plusport Global Sdn Bhd	Engaged in online retail business of food and beverages (currently dormant)	Director and Shareholder	28 December 2021	-	20.00	-
MFG Capital Sdn Bhd	Investment holding (investment in securities (listed and non-listed) not in similar business to our Group) (currently dormant)	Director and Shareholder	28 December 2016	-	50.00	-
Ng Brothers Estate Sdn Bhd	Investment holding in real estates and securities (listed and/or non-listed)	Director and Shareholder	28 August 2023	-	50.00	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Mega Fortris Capital Ltd	Investment holding (investment in listed and non-listed securities)	Director and Shareholder	12 March 2018	-	25.00	-
Mega Fortris Global Pte Ltd	1. Other holding companies 2. Activities of head and regional offices; centralised administrative offices and subsidiary management offices	Director	21 September 2018	-	-	74.01 ⁽¹⁾
Mega Fortris Management Pte Ltd	Activities of head and regional head offices; centralised administrative offices and subsidiary management office – group management and shared services, regional operations headquarters	Director	12 June 2019	-	-	100.00 ⁽²⁾
Fortris Malaysia	Investment holding (as at LPD, not holding any investment and not intending to make any investment)	Shareholder	-	-	10.00	-
TRB Ventures Sdn Bhd	Web portals; other information technology service activities n.e.c; training and consultation service	Shareholder	-	-	1.01	-
Geomico Green Biotechnology Pte Ltd	Wholesale trade of a variety of goods without a dominant product	Shareholder	20 August 2015	-	15.04	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Past Involvement						
Mega Tebco Global Sdn Bhd	Other food service activities <i>(dissolved on 12 November 2020)</i>	Director and shareholder	9 December 2015	-	50.00	-
MF Panca Sdn Bhd	Other manufacturing n.e.c. <i>(dissolved on 5 January 2024)</i>	Director and shareholder	4 June 2004	-	10.00	-
MF Telematics Sdn Bhd	Provider of radio frequency identification tracking and vehicle tracking solutions and in investment holding <i>(dissolved on 4 September 2023)</i>	Director and shareholder	14 September 2012	-	30.00	-
Tera IT Solutions Sdn Bhd	Providing consulting services and software development <i>(dissolved on 17 February 2023)</i>	Director and shareholder	23 November 2006	-	25.00	-
Forte Financial Holdings Pte Ltd	1. Management consultancy services – advisory and consultancy services 2. Other holding companies	Director and shareholder	30 December 2022	14 December 2023	20.50	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Mega Masterair (S) Pte Ltd	<p>1. General contractors (non-building construction) – general contract works</p> <p>2. Wholesale trade of a variety of goods without a dominant product – general importers and exporters and commission agents</p> <p><i>(struck off on 4 December 2018)</i></p>	Director and shareholder	22 June 2011	-	15.00	-
Mega Fortris (East Malaysia) Sdn Bhd	<p>Trading of security seals and temper-evident products</p> <p><i>(dissolved on 20 July 2018)</i></p>	Director	2 April 2013	-	-	60.00 ⁽³⁾
Mega Security Devices (M) Sdn Bhd	Manufacturing and trading of security and tamper evident labels	Director	11 October 2011	18 April 2022	-	-
MF Telematics (Penang) Sdn Bhd	<p>Dealing in radio frequency identification tracking and vehicle tracking solutions</p> <p><i>(dissolved on 12 October 2021)</i></p>	Director	18 April 2013	-	-	100.00 ⁽⁴⁾
MFSS	Providing information technology and related services	Director	31 December 2001	3 April 2023	-	-
MIOT	Provider of radio frequency identification tracking and vehicle tracking solutions and in investment holding	Director	21 April 2015	3 April 2023	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Mega Fortris Ctrack Solutions (Singapore) Pte Ltd	<p>1. Other information technology and computer service activities (EG disaster recovery services) – radio frequency identification solutions provider and seamless business integrator</p> <p>2. Wholesale trade of a variety of goods without a dominant product – general importers and exporters and commission agents</p> <p><i>(struck off on 9 May 2022)</i></p>	Director	18 March 2013	-	-	-
Mobile Sensory Technologies Sweden Ab	Dissolved on 14 May 2021	Director d	23 August 2019	-	-	2.65 ⁽²⁾
Shaoxing Mega Fortris Seals Co., Ltd	<p>Manufacturing and trading of security seals</p> <p><i>(struck off on 21 March 2023)</i></p>	Director	31 March 2010	-	-	57.50 ⁽³⁾
PT. Mega Fortris Indonesia	Trading of security seals and tamper evident products	Director	8 December 2010	4 August 2023	-	51.00 ⁽³⁾

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Notes:

- (1) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital and Ng Brothers Estate.
- (2) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital, Ng Brothers Estate, and Mega Fortris Global.
- (3) Deemed interested by virtue of Section 8 of the Act held through Mega Fortris Capital, Ng Brothers Estate, Mega Fortris Global and Mega Fortris.
- (4) Deemed interested by virtue of Section 8 of the Act held through MF Telematics Sdn Bhd.

(iii) Ng Weng Choi

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
<u>Present Involvement</u>						
Fortris Malaysia	Investment holding (as at LPD, not holding any investments and not intending to make any investments)	Shareholder	-	-	10.00	-
<u>Past Involvement</u>						
Mega Fortris (East Malaysia) Sdn Bhd	Trading of security seals and temper-evident products (dissolved on 20 July 2018)	Director	2 April 2013	-	-	-
Mega Security Devices (M) Sdn Bhd	Manufacturing and trading of security and tamper evident labels	Director	11 October 2011	18 April 2022	-	-
MFSS	Providing information technology and related services	Director	2 January 2008	3 April 2023	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
PT Mega Fortris Indonesia	Trading of security seals and tamper evident products	Director	8 December 2010	4 August 2023	-	-

(iv) Shireen Iqbal Binti Mohamed Iqbal

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)

Present Involvement

Najh Advisors Sdn Bhd	Real estate advisory and training services ⁽¹⁾	Director and Shareholder	17 April 2023	-	100.00	-
Alpha REIT Managers Sdn Bhd	Managing real estate investment trust	Director	7 October 2019	-	-	-
Amfaz Sdn Bhd	Investment holding company (investing in textile business)	Shareholder	-	-	12.49	-

Past Involvement

UM Holdings Sdn Bhd	Investment and commercial arm of the University of Malaya	Director	15 July 2022	19 April 2023	-	-
UM Properties Sdn Bhd	Real estate activities on a fee or contract basis n.e.c.	Director	27 December 2022	31 January 2024	-	-

Note:

(1) The company has yet to commence any business as at the LPD.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

(v) Tan Kok Yang

Tan Kok Yang does not have any principal business activities including directorships outside our Group for the past five years up to the LPD.

(vi) Lew Siew Yen

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
<u>Present Involvement</u>						
Y2K Motor Sdn Bhd	Dealership and servicing of Hyundai vehicles auto accessories parts	Director and shareholder	1 April 2016	-	25.00	-

The involvement of our Directors as disclosed above excludes shares in public listed companies held by our Directors as minority shareholders (less than 5.00% of the total number of issued shares of a public listed company) and in which they do not hold any directorship, and is only for trading and personal investment purposes.

The involvement of:

- (i) our Executive Directors in other businesses or corporations does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of these businesses, other than attending meetings of the board of directors on which they serve. Such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management; and
- (ii) our Independent Non-Executive Directors in business activities outside our Group does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of our Group.

As such, our Board is of the view that this would not affect their contribution and performance to our Group.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.2.4 Directors' remuneration and material benefits in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for their services rendered in all capacities within our Group for the FYE 2023 and the FYE 2024 are set out below:

	Salaries	Directors' fees	Bonuses	Allowances and benefits- in-kind	Contributions to EPF and SOC SO	Total
FYE 2023 (Paid)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors						
Datuk Adrian Ng	372	-	-	108	58	538
Ng Weng Choi	360	-	-	-	44	404
Non-Executive Directors						
Dato' Nick Ng	666	-	-	-	80	746
Shireen Iqbal Binti Mohamed Iqbal	-	-	-	-	-	-
Tan Kok Yang	-	-	-	-	-	-
Lew Siew Yen	-	-	-	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

							Actual amount paid up to 31 January 2024
	Salaries	Directors' fees	Bonuses	Allowances and benefits- in-kind	Contributions to EPF and SOC SO	Total	
FYE 2024 (Proposed)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Executive Directors							
Datuk Adrian Ng	529	-	74	216	99	918	536
Ng Weng Choi	395	-	33	30	56	514	314
Non-Executive Directors							
Dato' Nick Ng ⁽¹⁾	56	480	111	295	41	984	608
Shireen Iqbal Binti Mohamed Iqbal	-	32	-	-	-	32	12
Tan Kok Yang	-	32	-	-	-	32	12
Lew Siew Yen	-	32	-	-	-	32	12

Note:

- (1) The remuneration of Dato' Nick Ng includes salary, bonus, allowances and benefits-in-kind and contribution to EPF and SOC SO paid to him before he was re-designated as our Non-Independent Non-Executive Chairman.

The remuneration of our Directors must be considered and recommended by the Remuneration Committee and subsequently be approved by our Board. Our Directors' fees must be further approved and endorsed by our shareholders at a general meeting.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.3 BOARD PRACTICES

Our Board has the overall responsibility for the long-term success of our Group and delivery of sustainable value to our stakeholders. Our Board must act with integrity, lead by example, keep abreast of his / her responsibilities as a Director and of the conduct, business activities and development of our Company.

5.3.1 Board

Subject to the limitations of our Constitution, our Board has adopted a charter which sets out, among others, the following principal responsibilities of our Board for effective discharge of its functions:

- (i) adopting and reviewing a strategic plan, as developed by our management, taking into account the sustainability and long-term value creation of our Group's business and strategic, with attention given to the economic, environmental, social considerations underpin sustainability and governance aspects of the business;
- (ii) setting and taking responsibility of our Group's sustainability policy to oversee, together with our management, to meet our Group's sustainability goals to maintain the confidence of stakeholders;
- (iii) reviewing, challenging and deciding on our management's proposals on matters for our Group including, but not limited to, corporate strategy, business plan and budget, and monitor the implementation by our management;
- (iv) supervising and overseeing the conduct of our Group's business, including assessing and monitoring the performance of our management to determine whether the business is properly managed;
- (v) identifying and assessing the principal business risks faced by our Group and ensuring the implementation of appropriate internal controls and mitigating measures to manage such risks;
- (vi) setting the risk appetite within which our Board expects our management to operate and ensure that there is an appropriate annual review and periodic testing of our Group's internal control and risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks. The framework adopted by the internal auditors of our Group will be based on an internationally recognised risk management framework;
- (vii) adopting a succession planning policy of our Board and the senior management and regularly reviewing the succession plan of our Group, including appointing, training, compensating and where appropriate, to provide for the orderly transition of senior management;
- (viii) establishing a corporate disclosure policy and overseeing the implementation of the shareholders communication policy and an investor relations programme for our Group;
- (ix) setting corporate values and promoting, together with our management, good corporate governance culture within our Group, which reinforces the accountability, transparency, integrity, and professional behaviour and ensuring that its obligations to shareholders and other stakeholders are met;
- (x) ensuring that governance in our Group is implemented holistically through a group governance framework and overseeing our Group's adherence to our Group's policies;

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

(xi) ensure the integrity of our Group's financial and non-financial reporting. Courts have held that it is the duty of every Director to read the financial statements of our Group and carefully consider whether the disclosures are consistent with the director's own knowledge of our Group's affairs; and

(xii) maintaining and keeping proper records and accounts of our Group.

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office are as follows:

Directors	Date of appointment as Director	Date of expiration of current term of office	Approximate no. of years in office as at the LPD
Dato' Nick Ng	20 June 2001	At the AGM in the year of 2025 ⁽³⁾	22
Datuk Adrian Ng	20 June 2001	At the AGM in the year of 2026 ⁽³⁾	22
Ng Weng Choi	19 September 2017	At the AGM in the year of 2024 ⁽³⁾	Six
Shireen Iqbal Binti Mohamed Iqbal	20 October 2023	At the AGM in the year of 2025 ⁽²⁾	Less than one
Tan Kok Yang	20 October 2023	At the AGM in the year of 2026 ⁽²⁾	Less than one
Lew Siew Yen	20 October 2023	At the AGM in the year of 2024 ⁽²⁾	Less than one

Notes:

- (1) Based on our Constitution, the new Director duly appointed by the Directors shall hold office only until the next following annual general meeting, and he / she shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting. This is provided always that the new additional Directors shall retire from office at the next following annual general meeting. The new Directors shall hold their office until the close of the next following annual general meeting.
- (2) Based on our Constitution, an election of directors shall take place every year. At the first annual general meeting of our Company all the Directors shall retire from office, and at the annual general meeting in every subsequent year 1/3 of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to 1/3 shall retire from office provided always that all the Directors shall retire from office once at least in each three years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he / she retires.

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(3) For the avoidance of doubt, Ng Weng Choi's last re-election was on 30 December 2021 while Dato' Nick Ng's last re-election was 31 December 2022 and Datuk Adrian Ng's last re-election was 29 December 2023 in accordance with our Constitution which had been in effect at the time. Based on our constitution:

- (i) Ng Weng Choi, Dato' Nick Ng and Datuk Adrian Ng will be subject to retirement by rotation at least once every three years at our AGM in the year 2024, 2025 and 2026 respectively; and
- (ii) the Directors to retire by rotation in each year shall be those who have been longest in office since their last election. However, between Directors that are appointed on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by balloting.

Our Directors who are deemed as Independent Directors, as defined in the Listing Requirements, shall be subject to re-appointment in the manner described above. Our Group has adopted all practices recommended by the MCCG.

5.3.2 Audit Committee

Our Audit Committee comprises the following members:

Name	Designation	Directorship
Tan Kok Yang	Chairman	Independent Non-Executive Director
Shireen Iqbal Binti Mohamed Iqbal	Member	Senior Independent Non-Executive Director
Lew Siew Yen	Member	Independent Non-Executive Director

Our Audit Committee's primary role is to aid our Board in fulfilling its responsibility on the oversight of the integrity of our Group's accounting and financial reporting matters. The duties and responsibilities of our Audit Committee, as stated in its terms of reference include the following among others:

- (i) to review the following with the external auditors and report the same to our Board:
 - (a) the audit plan;
 - (b) the evaluation of the system of internal controls;
 - (c) the audit report; and
 - (d) the assistance given by our employees of our Group to the external auditors.
- (ii) to do the following and report the same to our Board, in relation to the internal audit function:
 - (a) review the adequacy of the scope, functions, competency, resources and budget of the internal audit function, and that it has the necessary authority to carry out its work;
 - (b) review the internal audit plan, processes and results of the internal audit plan, the effectiveness of the internal audit function, processes or investigation undertaken and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;

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- (c) review any appraisal or assessment of the internal audit personnel on their independence status, qualification, experience and competency, resources and support to carry their work effectively, performance, audit fees; and continuous professional development;
 - (d) approve any appointment or termination of senior staff members of the internal audit function; and
 - (e) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (iii) to review the quarterly results and annual financial statements of our Group with both the external auditors and management prior to the approval by our Board, focusing particularly on:
 - (a) any changes in or implementation of accounting policies and practices;
 - (b) any significant adjustments arising from the audit;
 - (c) any significant matters highlighted including financial reporting issues, significant judgements made by management and how these matters are addressed;
 - (d) significant and unusual events or transactions;
 - (e) the going concern assumption; and
 - (f) compliance with applicable accounting standards and other legal requirements.
- (iv) to consider and review any related-party transactions and conflict of interest situation that arose, persist or may arise within our Company and our Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;
- (v) to ensure that they are fully informed about significant matters related to our Company's audit and its financial statements. They must address any concerns that may impact the financial or audit aspects of our Company and communicate these issues to the external auditors;
- (vi) to discuss problems and concerns that arise from the interim and final audits, as well as any matters that the auditor may wish to discuss in the absence of management where necessary;
- (vii) to communicate their insights, views and concerns about relevant transactions and events to internal and external auditors;
- (viii) to ensure there is co-ordination between internal and external auditors;
- (ix) to consider and report to our Board the appointment, nomination, resignation, re-appointment and dismissal of external auditors and their respective audit fees;
- (x) to consider the report, major findings and management's response thereto on any internal investigations carried out by the internal auditors;
- (xi) to review the allocation of options / shares granted pursuant to the employees' share option scheme / employee share grant and make such statements to be included in the annual report of our Company in relation to a share scheme for employees;

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- (xii) to perform the oversight function over the administration of whistleblowing policy that is approved and adopted by our Board and to protect the values of transparency, integrity, impartiality and accountability where our Group conducts its business and affairs; and
- (xiii) any such other functions as may be agreed by the Committee and our Board as may be required under the MCGG, Listing Requirements and any other regulatory requirements.

5.3.3 Remuneration Committee

Our Remuneration Committee comprises the following members:

Name	Designation	Directorship
Lew Siew Yen	Chairman	Independent Non-Executive Director
Shireen Iqbal Mohamed Iqbal	Member	Senior Independent Non-Executive Director
Tan Kok Yang	Member	Independent Non-Executive Director

The main function of our Remuneration Committee is to support our Board in actively overseeing the design and operation of our Group's remuneration system to ensure corporate accountability and governance. The Remuneration Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (i) to assist our Board in discharging its responsibilities for, among others, its compensation strategy, management development and other compensation arrangement;
- (ii) to develop and administer a fair and transparent remuneration policy and procedure, including the fee structure and level of remuneration for Directors and senior management, taking into account the demands, complexities and performance of our Company in managing material sustainability risks and opportunities as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of each Director and senior management and the basis of the Directors' and senior management's merit, qualification and competence, while having regard to our Company's the business strategy, long-term objectives, operating results, individual performance and comparable market statistics. Our Board determines who makes up senior management and if any other group of employees should be covered by the remuneration policy and procedures. The policy and procedure shall be reviewed periodically to ensure relevance to our Group and made available on our Company's website;
- (iii) to implement the remuneration policies and procedures including reviewing and recommending to our Board on the remuneration packages of the Directors and senior management personnel in all forms, particularly on whether the remuneration remains appropriate to the contribution of each of the Directors and senior management personnel, by taking into account the level of expertise, commitment and responsibilities undertaken, with or without other independent professional advice or other outside advice, with reference to our Company's remuneration policy and procedure;
- (iv) to ensure fees and benefits payable to Directors, and any compensation for loss of employment of Executive Directors are approved by shareholders at general meetings;

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- (v) when recommending the fee and other benefits for our Independent Directors, our Remuneration Committee shall ensure it does not conflict with our Independent Directors' obligations to bring objectivity and independent judgment on matters discussed at Board meetings;
- (vi) to consider and examine such other matters as our Remuneration Committee considers appropriate;
- (vii) to establish frequent communication with other board committees, namely Nominating Committee, to align remuneration policies and procedures to succession plans and talent management of executives and Sustainability and Risk Management Committee to ensure risk outcomes are adequately considered in the design of remuneration policies and procedures;
- (viii) to table separate resolutions on the approval of the fees of each non-executive Directors of our Company and to provide clarification to shareholders during general meetings on matters pertaining to remuneration of directors and senior management as well as the overall remuneration framework of our Company; and
- (ix) to carry out such other functions or assignments as may be delegated by our Board from time to time in the area of remuneration of Directors and/or senior management.

5.3.4 Nominating Committee

Our Nominating Committee comprises the following members:

Name			Designation	Directorship
Shireen Iqbal Binti Mohamed Iqbal			Chairman	Senior Independent Non-Executive Director
Lew Siew Yen			Member	Independent Non-Executive Director
Tan Kok Yang			Member	Independent Non-Executive Director

The Nominating Committee's duties and responsibilities include, amongst others, the following:

- (i) to establish an appropriate (fit and proper) selection criteria and processes, recruitment process and to recommend to the Board, candidates for all directorships of our Company and members of the relevant board committees;
- (ii) to oversee and shape our Group's governance policies and practices to put in place the succession planning of our Board and senior management and to achieve board effectiveness and governance;
- (iii) to integrate ESG considerations into nomination processes such as training criteria and ESG experience in order to recruit directors that will bring ESG expertise to our Board;
- (iv) to ensure sufficient diversity and independence in our Board in order to achieve greater depth and breadth in the decision-making process;
- (v) the chairman of the Nominating Committee shall refer to the succession planning policy duly approved by our Board to lead the succession planning for Directors and senior management and appointment of members of our Board and senior management and oversee the development of a diverse pipeline for our Board and management succession, including the future chairman and managing Director;

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- (vi) to establish the mechanisms for the formal assessment on an annual basis on the effectiveness of our Board as a whole, the effectiveness of each Directors; the effectiveness of our board of committees and senior management; the performance of the Directors and senior management of our Company and the need to bring new skills and perspective to our Board and the senior management. Performance evaluations of our Board and senior management include a review of the performance of our Board and senior management in addressing our Company's material sustainability risks and opportunities;
- (vii) to utilise the annual evaluation forms duly approved by our Board to assess the effectiveness of our Board, our board committees and the contribution and performance of each individual Director and the chairman and to disclose the annual evaluation methodology and results in the corporate governance report of our Company;
- (viii) to review on an annual basis, the meeting attendance of our Board and/or board committee(s) meetings and sufficiency of time commitment of the Directors in discharging their roles and responsibilities in our Company;
- (ix) to review on an annual basis, the term of office and performance of our audit committee and each of its members to determine whether our audit committee and members have carried out their duties in accordance with the terms of reference of the audit committee;
- (x) to assess our independent non-executive Directors in terms of their independence and ability to discharge their responsibilities or functions as well as the exercise of their independent judgment or their ability to act in the best interests of our Company;
- (xi) to review on an annual basis, the length of service of each independent non-executive Director. The tenure of an independent director shall not exceed a term limit of nine years. After a cumulative term of nine years, the independent director may continue to serve on our Board as a non-independent Director. However, if our Board intends to retain an independent director beyond nine years, it should provide justification and seek shareholders' approval annually through a two-tier voting process in a general meeting.
- (xii) to review and recommend on an annual basis to our Board the appropriate size, structure, balance and composition of our Board, required mix of skills, experience, boardroom diversity and other qualities, including core competencies in order for our Board to function effectively and efficiency and to ensure that the contribution of our Directors and senior management are in line with our Group's requirements and in compliance with the Listing Requirements;
- (xiii) to facilitate our Board induction programme for newly appointed Directors and identify suitable educational and training programmes for continuous development of Directors to ensure the Directors and senior management keep abreast with development in the industry, regulatory changes, sustainability issues relevant to our Company and Board business trends;
- (xiv) to recommend to our Board the removal of a Director including the managing director and senior management if he is ineffective, errant or negligent in discharging his responsibilities;
- (xv) to review and recommend to our Board re-election if Directors who retired by rotation pursuant to our Company's Constitution and re-appointment of Directors who retired pursuant to relevant provisions of the Act and in our Company's Constitution, subject to the conduct of the fit and proper assessment;

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- (xvi) to assist our Board to assess and evaluate circumstances where Director's involvement outside our Group may give rise to a potential conflict of interest with our Group's businesses, upon receiving the declaration of the same. After deliberation with our audit committee, to recommend to our Board on the necessary actions to be taken in the circumstances where there is a conflict of interest. To ensure that the individual candidate standing for election should be transparent and make the necessary declaration of the potential conflict of interest to our Board and shareholders;
- (xvii) to provide shareholders of our Company the information they require to make an informed decision on the appointment and/or re-appointment of a director. The information should be included in the notes accompanying the notice of the general meeting;
- (xviii) to act in line with the directions of our Board;
- (xix) to provide a report summarising activities of our Nominating Committee for the year which include the application of fit and proper policy in compliance with the MCGG, Listing Requirements and any relevant regulations; and
- (xx) to carry out such other functions or assignments as may be delegated by our Board from time to time within the scope of the Nominating Committee or as may be required under the Listing Requirements.

5.3.5 Sustainability and Risk Management Committee

Our Sustainability and Risk Management Committee comprises the following members, of which the majority are Independent Non-Executive Directors:

Name	Designation	Directorship
Shireen Iqbal Binti Mohamed Iqbal	Chairman	Senior Independent Non-Executive Director
Tan Kok Yang	Member	Independent Non-Executive Director
Lew Siew Yen	Member	Independent Non-Executive Director
Datuk Adrian Ng	Member	Group Managing Director cum Group Chief Executive Officer

The current composition of our Sustainability and Risk Management Committee comprises a majority of Independent Directors to enable objective oversight of the management of principal business risks and significant or material economic, environmental and social risks. Our Non-Independent Group Managing Director cum Group Chief Executive Officer is part of the committee as he has in-depth knowledge on the business and sustainability risks that our Company is exposed to and would be in a better position to evaluate such risks to be presented to our Sustainability and Risk Management Committee. Accordingly, our Group Managing Director cum Group Chief Executive Officer is able to recommend sustainability and risk management strategies and policies and risk tolerance levels.

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Our Board together with management takes responsibility for the governance of sustainability in our Company including setting our Company's sustainability strategies, priorities and targets. Our Board has the overall responsibility for risk oversight and risk management within our Group. However, as a committee of our Board, our Sustainability and Risk Management Committee shall lead our strategic direction in the management of our business and sustainability risks and opportunity, including oversight on the establishment and implementation of a risk management framework and reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but are not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management and sustainability management.

The Sustainability and Risk Management Committee's duties and responsibility as stated in its terms of reference include, among others the following:

- (i) Sustainability
 - (a) to advise and recommend business strategies related to sustainability to our Board, which includes, but is not limited to ESG;
 - (b) to monitor the implementation of sustainability strategies as approved by our Board;
 - (c) to provide recommendation to our Board on sustainability-related policies for adoption and monitoring the implementation of the policies;
 - (d) to review sustainability issues which arise from independent audits and assurance reports, if any, and matters related to sustainability highlighted by regulators or relevant consultants;
 - (e) to recommend material sustainability matters to our Board for approval;
 - (f) to oversee the management of sustainability matters, focusing primarily on issues material to our Group;
 - (g) to receive half yearly update from management on the progress towards achieving our Group's sustainability targets;
 - (h) to oversee the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for our Board's approval; and
 - (i) to review and recommend the sustainability statement for annual report to our Board for approval to ensure that our Group's sustainability initiatives and outcomes are effectively communicated to investors and other stakeholders.
- (ii) Risk Management
 - (a) to oversee and recommend the risk management strategies and policies and risk tolerance levels for our Board's approval;
 - (b) to ensure the management of sustainability risks and opportunities is integrated into the risk management framework and that the risk management framework and policy are embedded in and function effectively throughout our Group within the parameters established by our Board and to ensure that the risk management framework shall be based on an internationally recognised framework;

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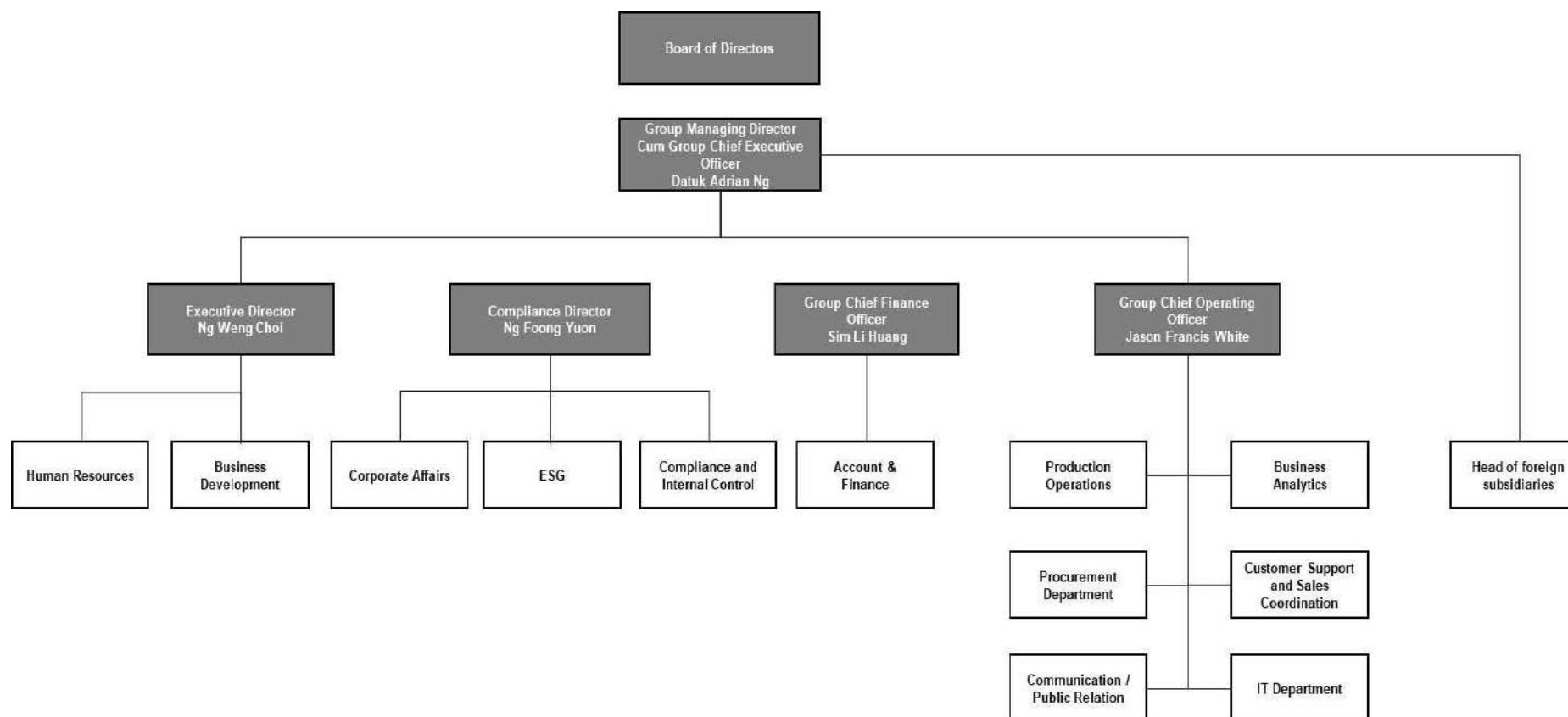
- (c) to identify and measure potential risks and to formulate mitigation action plan(s) to manage and monitor the identified risks within our Group's risk appetite and to ensure that corrective measures are taken to address any failings and/or weaknesses;
- (d) to conduct an annual review and periodic testing of the risk management framework which includes reviewing key risk registers and risk dashboard of our Group to ensure compliance and relevance in light of any changes in internal business processes, business strategies, external ESG or any related to sustainability issues;
- (e) to provide risk management awareness and education to all levels of our Group;
- (f) to ensure infrastructure, resources and systems are in place for risk management which includes ensuring that staff responsible for implementing risk management systems perform their duties independently of our Group's risk-taking activities;
- (g) to report our Group's risk management activities and update key risk registers and the risk dashboard to our Board on a regular basis, at least annually;
- (h) to perform risk identification and assessment regarding major asset/business acquisition or divestment, or business diversification or business consolidation and to report the results of the assessment to our Board for strategic decision making;
- (i) to perform regular reviews, to monitor and conduct assessments of the effectiveness, efficiency and performance of our Group's anti-bribery programme. Such reviews may take the form of internal audits or audits conducted by an external party. The reviews shall form the basis for any improvements to existing anti-bribery and corruption controls;
- (j) to review the effectiveness of our Group's risk management systems; and recommend, where appropriate, the endorsement of the Statement on Risk Management and Internal Control to be included in our Company's annual report;
- (k) to consider and examine such other matters as the Sustainability and Risk Management Committee considers appropriate or as defined by our Board;
- (l) to consider other matters as defined by our Board; and
- (m) to provide oversight over projects/major contracts, and other contracts requiring our Board's approval, including endorsement of contract terms (and any material amendments to such contracts) before acceptance and execution as well as potential/actual disputes with counterparties.

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5.4 KEY SENIOR MANAGEMENT

5.4.1 Management reporting structure

The management reporting structure of our Group is as follows:



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5.4.2 Shareholdings of our Key Senior Management

Please refer to Section 5.2.1 of this Prospectus for information on the shareholdings of Datuk Adrian Ng and Ng Weng Choi in our Company.

The shareholdings of our Key Senior Management in our Company before and after our IPO are as follows:

Key Senior Management	Nationality	As at the LPD and before our IPO ⁽¹⁾				After our IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Sim Li Huang	Malaysian	-	-	-	-	1,800,000	0.21	-	-
Jason Francis White	South African	-	-	-	-	1,600,000	0.19	-	-
Ng Foong Yuon	Malaysian	-	-	-	-	1,800,000	0.21	-	-

Notes:

(1) Based on the total number of 697,099,480 Shares as at the LPD and before our IPO.

(2) Based on the enlarged total number of 844,972,480 Shares after our IPO.

Our Key Senior Management may subscribe for excess Issue Shares under those allocated for other Eligible Persons as well as the IPO Shares under the Public Issue.

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5.4.3 Profiles of our Key Senior Management

Please refer to Sections 5.1.2 and 5.2.2 of this Prospectus for the profiles of Datuk Adrian Ng and Ng Weng Choi respectively. The profiles of other Key Senior Management are as follows:

(i) Sim Li Huang
Group Chief Finance Officer

Sim Li Huang, a Malaysian aged 50, is our Group Chief Finance Officer. She is responsible for overseeing our Group's accounting, financial, and treasury functions which includes financial planning and review, cash flow management, and financial reporting. She obtained her London Chamber of Commerce and Industry Higher Group Diploma in Accounting in July 1993, and professional qualifications in the Association of Chartered Certified Accountants in February 1999.

She is a member of the Association of Chartered Certified Accountants since June 1999 and the Malaysian Institute of Accountants since July 2000. In July 2004, she was admitted as a Fellow Member of the Association of Chartered Certified Accountants. She has more than 27 years of working experience in accounting, finance and audit.

She began her career with T Y & Associates in April 1996 as an audit assistant, and later promoted to an audit senior in November 1999, where she was involved in statutory audits, preparation of consolidated accounts and preparation of accountant reports. She left T Y & Associates in May 2000 and joined GT Group Management Sdn Bhd in the same month, and was later transferred to its related company, DKH Management Sdn Bhd in March 2001, as an assistant accountant where she was involved in the preparation of management reports, company's accounts, and financial statements.

She left DKH Management Sdn Bhd in June 2002 and took a three-month career break. She later joined Mega Fortris as an accountant in September 2002, and was later promoted to group accountant in May 2012 and Chief Finance Officer in January 2022. She was later re-designated as our Group Chief Finance Officer in January 2023 where she has assumed her current responsibilities.

(ii) Jason Francis White
Group Chief Operating Officer

Jason Francis White, a South African aged 48, is our Group Chief Operating Officer. He is responsible for overseeing our manufacturing activities which includes the production of goods, implementation of new technologies and quality assurance of the products and services. He is also responsible for improving service delivery, warehouse activities and capital expenditure budgeting.

He graduated with a Diploma of Advanced Project Management from Damelin (Pty) Ltd in August 2004, and was awarded with a Bachelor of Commerce in Business Informatics from University of South Africa in November 2019. He has more than 24 years of working experience in production and operations of various companies.

He began his career in Rhombic Engineering in December 1999 as an apprentice, involved in the design and manufacture of tooling necessary for mass production within a workshop.

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He left Rhombic Engineering in November 2002 to join Ulrich Engineering (Pty) Ltd in December 2002 as an operations manager, where he was involved in procurement management, planning and scheduling machine and staff operations, and managing customer delivery and lead times.

He left Ulrich Engineering (Pty) Ltd in December 2006 to join Solar Harvest Pty Ltd in January 2007 as a production development engineer where he oversaw the planning, preparation, and implementation of a custom-built manufacturing facility, and was responsible for being the project manager for design and production of solar water heaters. He left Solar Harvest Pty Ltd in September 2009 to join Misa Projects in October 2009 as a project manager, where he was responsible for designing new mechanical product solutions for credit control projects and managing production facilities to meet product manufacturing lines.

He left Misa Projects in May 2012 and rejoined Ulrich Engineering (Pty) Ltd in the same month as a production manager and was later promoted to operations director in January 2015, where he was mainly responsible for developing and implementing the overall operational strategy for the facility. He left Ulrich Engineering (Pty) Ltd in August 2020 to join Mega Fortris in September 2020 as a director of production. He was later promoted to our Group Chief Operating Officer in July 2023 where he has assumed his current responsibilities.

(iii) **Ng Foong Yuon** *Compliance Director*

Ng Foong Yuon, a Malaysian female aged 64, is our Compliance Director. She is primarily responsible for our Group's compliance with relevant guidelines and regulations governing the business, maintaining effective relationship with regulatory bodies, and risk management. She obtained her General Certificate of Education in 1978. She has more than 28 years of working experience including more than 16 years in the security seal industry.

She began her career with Behn Meyer (Malaysia) Sdn Bhd in 1980 as an administration and shipping clerk, where she was responsible for the import of fertilisers, chemicals, dye stuffs, machineries and reselling to distributors and agents. She also handled customs clearance for the company's import shipments. She left the company in 1984 and joined Harrisons & Crosfield (Malaysia) Sdn Bhd in June 1984 as a confidential secretary. She supported and assisted the registered company secretary of the company in arranging for board meetings, preparing meeting minutes and handling all matters related to the board.

She left the company in August 1990 and took a 15-year career break to be a full-time homemaker. She joined Mithril Saferay Sdn Bhd in June 2005 as a personal assistant to the Chief Executive Officer ("CEO") of the company. Her responsibilities included supporting and assisting the CEO of the company, arranging for board meetings, preparing meeting minutes and handling all matters related to the board.

She left Mithril Saferay Sdn Bhd in June 2007 to join Mega Fortris as an administration manager in July 2007. She was then promoted to a corporate affairs manager in June 2011 and subsequently, re-designated to a corporate affairs director in January 2017 where she was responsible for all corporate related affairs of our Company which includes liaison with local authorities and government regulatory bodies such as Immigration Department of Malaysia, Royal Malaysia Customs Department, MITI and MIDA. She was redesignated as our Compliance Director in January 2024 and has assumed additional responsibilities of overseeing the compliance and internal control, ESG and corporate affairs of our Group.

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She was previously the chairman of the Federation of Malaysian Manufacturers (“FMM”) Selangor and Kuala Lumpur branch from November 2022 to November 2023. By virtue of her position as the branch chairman, she chaired the branch finance working sub-committee and branch strategic policies and research working sub-committee. She represented the branch in the FMM EXCO and FMM Institute at the national level. She assumed several committee member roles at the national level, including the human resource management committee and export and international business committee.

She was also the representative for FMM Selangor and Kuala Lumpur branch in Selangor State Standing Committee on Investment Industry and Commerce and SME, where she attended Selangor government’s various meetings and functions, and played a vital part in fostering dialogue surrounding industry growth and addressing pertinent challenges. Her responsibilities extended to engaging with stakeholders, including local councils and government bodies, to attentively address members’ concerns. She also served in the FMM Council from December 2016 until December 2023.

She is currently a council member of the Malaysian Consortium of Mid-Tier Companies since December 2022, and a City Executive Committee member of City Cancer Challenge for Greater Petaling since July 2021.

She was awarded the Malaysian Productivity Corporation (MPC) Productivity Champion in May 2016 and has received the Setia Mahkota Selangor (S.M.S.) award from the Sultan of Selangor in December 2018.

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5.4.4 Principal directorships and principal business activities on our Key Senior Management outside our Group for the past five years

Save as disclosed below, none of our Key Senior Management has any other principal directorships and principal business activities outside our Group as at the LPD and other principal directorships outside our Group for the past five years from the LPD :

(i) Sim Li Huang

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Past involvement						
Mega Tebco Global Sdn Bhd	Other food service activities (dissolved on 12 November 2020)	Director	9 December 2015	-	-	-

(ii) Jason Francis White

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
Present involvement						
Ulrich Engineering (Pty) Ltd	Private households, exterritorial organisations, representatives of foreign governments and other activities not adequately defined <i>(in the process of deregistration)</i>	Director	24 February 2004	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

	Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
						Direct (%)	Indirect (%)
(iii)	Present involvement						
	Solar Harvest (Pty) Ltd	Manufacturers of solar panels	Director	13 April 2007	-	-	-
		(deregistered on 1 September 2020)					
	Ng Foong Yuon						
	Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
	Direct (%)						Indirect (%)
	Past involvement						
	Cybertronium Sdn Bhd	Information technology, information technology security, training and certification	Director	21 December 2017	10 November 2020	-	-
	Federation of Malaysian Manufacturers	Principally engaged in the promotion and protection of the interest of manufacturers of all kinds of goods and commodities	Director	13 December 2016	7 December 2023	-	-
FMM Institute	Organise training programmes and seminars	Director	9 January 2023	7 December 2023	-	-	

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
FMM Services Sdn Bhd	<p>1. To provide advices, guidance, assistance and consultancy services on all aspects of the labour laws, industrial relations matters, customs, transportation, logistics, utilities, environmental matters, trade facilitation and all issues affecting industry and businesses.</p> <p>2. To organise and conduct training courses, conventions, conferences, lectures and seminars.</p>	Director	2 January 2019	-	-	-

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct (%)	Indirect (%)
	3. To publish books, periodicals, magazines, journals, newsletters, technical, and other scientific literature for the promotion of the objectives of the company.					
	(dissolved on 19 September 2022)					

The involvement of our Key Senior Management in business activities outside our Group does not give rise to any existing or potential conflict of interest situation and does not affect their commitment, ability to perform their responsibilities and continued contribution to the day-to-day management and operations of our Group as:

- (i) our Key Senior Management do not participate in the day-to-day operations of these businesses; and
- (ii) such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.4.5 Key Senior Management's remuneration and material benefits-in-kind

Please refer to Section 5.2.4 of this Prospectus for the remuneration and material benefits-in-kind of Datuk Adrian Ng and Ng Weng Choi. The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our other Key Senior Management for their services rendered in all capacities within our Group for the FYE 2023 and the FYE 2024 are set out below:

Key Senior Management	Remuneration band (in bands of RM50,000)		Actual amount paid up to 31 January 2024 RM'000
	FYE 2023 (Paid) RM'000	FYE 2024 (Proposed) RM'000	
Sim Li Huang	350 to 400	500 to 550	329
Jason Francis White	400 to 450	550 to 600	360
Ng Foong Yuon	200 to 250	250 to 300	165

The remuneration for our Key Senior Management includes salaries, allowances, contribution to EPF and SESCO, and other benefits.

5.5 DECLARATION FROM OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Promoters, Directors and Key Senior Management are or have been involved in any of the following events (whether within or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him / her or any partnership in which he / she was a partner or any corporation of which he was a director or Key Senior Management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against him / her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his / her part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, being subject to any civil proceeding involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his / her part that relates to the capital market;
- (vi) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (vii) being subject to any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) any unsatisfied judgment against him / her.

5. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Dato' Nick Ng, Datuk Adrian Ng and Ng Foong Yuon are siblings. Save for this, there are no family relationships or associations between the Promoters, substantial shareholders, Directors and Key Senior Management.

5.7 EXISTING OR PROPOSED SERVICE AGREEMENT

As at the LPD, none of our Directors and/or Key Senior Management has any existing or proposed service agreements which provide for benefits upon termination of employment with our Group.

6. INFORMATION ON OUR GROUP

6.1 OUR GROUP

Our Company was incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Act on 9 April 1998 as a private limited company under the name of Regalcroft Sdn Bhd. Our Company changed its name to Bloxwich Security Products Sdn Bhd on 7 August 1998 and subsequently to Mega Fortris (Malaysia) Sdn Bhd on 18 July 2000. Our Company later changed its name to Mega Fortris Sdn Bhd on 8 August 2023.

Our Company was subsequently converted into a public limited company on 31 January 2024 and assumed our present name of Mega Fortris Berhad to facilitate our Listing.

The principal place of business of our Company is at No. 29 Property. We are principally involved in investment holding, design and manufacturing of security seals, and trading of related products and services. As at the LPD, we have 17 Subsidiaries, and our Group does not have any joint venture or associate companies.

Please refer to Section 6.3 of this Prospectus for information on our Subsidiaries.

6.1.1 Share capital and changes in share capital

As at the LPD, our issued share capital is RM34,854,974.00 comprising 697,099,480 Shares.

The changes in our issued share capital since its incorporation up to the LPD are as follows:

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Nature of transaction</u>	<u>Consideration (RM)</u>	<u>No. of cumulative Shares</u>	<u>Cumulative issued share capital (RM)</u>
9 April 1998	2	Subscribers' shares	2	2	2
6 August 1998	349,998	Cash	349,998	350,000	350,000
1 June 2001	793,000	Otherwise than cash	793,000	1,143,000	1,143,000
30 June 2023	33,711,974	Otherwise than cash (Acquisitions)	33,711,974	34,854,974	34,854,974
13 October 2023	1,010,794,246	Share Split	-	1,045,649,220	34,854,974
26 January 2024	-	Share Consolidation	-	697,099,480	34,854,974

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotments.

Upon the completion of our IPO and Listing, our issued share capital will increase from RM34,854,974.00 comprising 697,099,480 Shares to RM[●] comprising 844,972,480 Shares.

6. INFORMATION ON OUR GROUP

6.1.2 Pre-IPO Reorganisation

In conjunction with our Listing, we have undertaken the Pre-IPO Reorganisation comprising the Acquisitions, the Acquisitions of Mega Fortris Security Bags' Minority Interests, the Share Split and the Share Consolidation, details of which are as follows:

6.1.2.1 Acquisitions

(i) Acquisition of Mega Fortris Europe

On 30 June 2023, our Company has completed the acquisition of the entire issued share capital of Mega Fortris Europe comprising 125,000 ordinary shares from Mega Fortris Global for a purchase consideration of RM14,536,221.00. The purchase consideration was wholly satisfied via the issuance of 14,536,221 new Shares, in the following manner:

Vendor	Shareholdings in Mega Fortris Europe before Pre-IPO Reorganisation		Consideration	
	No. of shares	%	RM	No. of new Shares
Mega Fortris Global	125,000	100.00	14,536,221	14,536,221

The purchase consideration for the new Shares was arrived at after taking into account the NA of Mega Fortris Europe and its group of companies as at 30 June 2022 amounting to RM14,536,221.00.

(ii) Acquisition of Mega Fortris Americas

On 30 June 2023, our Company has completed the acquisition of the entire issued share capital of Mega Fortris Americas comprising 2,000 ordinary shares from Mega Fortris Global for a purchase consideration of USD3,421,444.00 (equivalent to RM15,762,593.00). The purchase consideration was wholly satisfied via the issuance of 15,762,593 new Shares, in the following manner:

Vendor	Shareholdings in Mega Fortris Americas before Pre-IPO Reorganisation		Consideration	
	No. of shares	%	USD	No. of new Shares
Mega Fortris Global	2,000	100.00	3,421,444	15,762,593

The purchase consideration for the new Shares was arrived at after taking into account the audited NA of Mega Fortris Americas as at 30 June 2022 amounting to USD3,421,440.00 (equivalent to RM15,762,593.00).

6. INFORMATION ON OUR GROUP**(iii) Acquisition of Mega Fortris AUS**

On 30 June 2023, our Company completed the acquisition of 75.00% of the issued share capital of Mega Fortris AUS comprising 75 ordinary shares from Mega Fortris Global for a purchase consideration of AUD681,429.00 (equivalent to RM2,045,445.00). The purchase consideration was wholly satisfied via the issuance of 2,045,445 new Shares, in the following manner:

Vendor	Shareholdings in Mega Fortris AUS before Pre-IPO Reorganisation		Consideration	
	No. of shares	%	AUD	No. of new Shares
Mega Fortris Global	75	75.00	681,429	2,045,445

The purchase consideration for the new Shares was arrived at after taking into account the audited NA of Mega Fortris AUS as at 30 June 2022 amounting to AUD908,572.00 (equivalent to RM2,727,260.00).

(iv) Acquisition of Mega Fortris NZ

On 30 June 2023, our Company has completed the acquisition of 75.00% of the issued share capital of Mega Fortris NZ comprising 10,000 ordinary shares from Mega Fortris Global for a purchase consideration of NZD491,224.00 (equivalent to RM1,367,715.00). The purchase consideration was wholly satisfied via the issuance of 1,367,715 new Shares, in the following manner:

Vendor	Shareholdings in Mega Fortris NZ before Pre-IPO Reorganisation		Consideration	
	No. of shares	%	NZD	No. of new Shares
Mega Fortris Global	10,000	75.00	491,224	1,367,715

The purchase consideration for the new Shares was arrived at after taking into account the audited NA of Mega Fortris NZ as at 30 June 2022 amounting to NZD654,965.00 (equivalent to RM1,823,620.00).

The Acquisitions were completed on 30 June 2023. Thereafter, Mega Fortris Europe (together with its subsidiaries), Mega Fortris Americas, Mega Fortris AUS and Mega Fortris NZ became our subsidiaries. With the completion of the Acquisitions, we have 17 subsidiaries, details of which are set out in Section 6.3 of this Prospectus.

6.1.2.2 Acquisitions of Mega Fortris Security Bags' Minority Interests

On 11 October 2023, our Company has completed the acquisition of:

- (i) 33.71% issued share capital of Mega Fortris Security Bags comprising 1,180,000 ordinary shares from Dato' Nick Ng for a purchase consideration of RM1,021,648.99; and
- (ii) 3.43% issued share capital of Mega Fortris Security Bags comprising 120,000 ordinary shares from Datuk Adrian Ng for a purchase consideration of RM103,953.01.

6. INFORMATION ON OUR GROUP

The total purchase consideration was settled via cash. The purchase consideration for the Acquisitions of Mega Fortris Security Bags' Minority Interests was arrived at after taking into account the valuation of the 100.00% equity interest of Mega Fortris Security Bags of RM3.03 million as at 31 December 2022, as ascribed by an independent valuer in its valuation report dated 29 September 2023.

Thereafter, Mega Fortris Security Bags became our Company's wholly-owned subsidiary.

6.1.2.3 Share Split

On 13 October 2023, our Company had completed the subdivision of one existing Share into 30 new Shares. After the Share Split, our Company has 1,045,649,220 Shares in issue and the shareholding structure of our Company before and after the Share Split is as follows:

	Before the Proposed Share Split		After the Proposed Share Split	
	No. of shares	%	No. of shares	%
Mega Fortris	34,854,974	100.00	1,045,649,220	100.00

The Share Split had not resulted in any changes to the value of our Company's issued share capital.

6.1.2.4 Share Consolidation

On 26 January 2024, our Company had completed the consolidation of three existing Shares into two new consolidated Shares. After the Share Consolidation, our Company has 697,099,480 Shares in issue and the shareholding structure of our Company before and after the Share Consolidation is as follows:

	Before the Share Consolidation		After the Share Consolidation	
	No. of shares	%	No. of shares	%
Mega Fortris	1,045,649,220	100.00	697,099,480	100.00

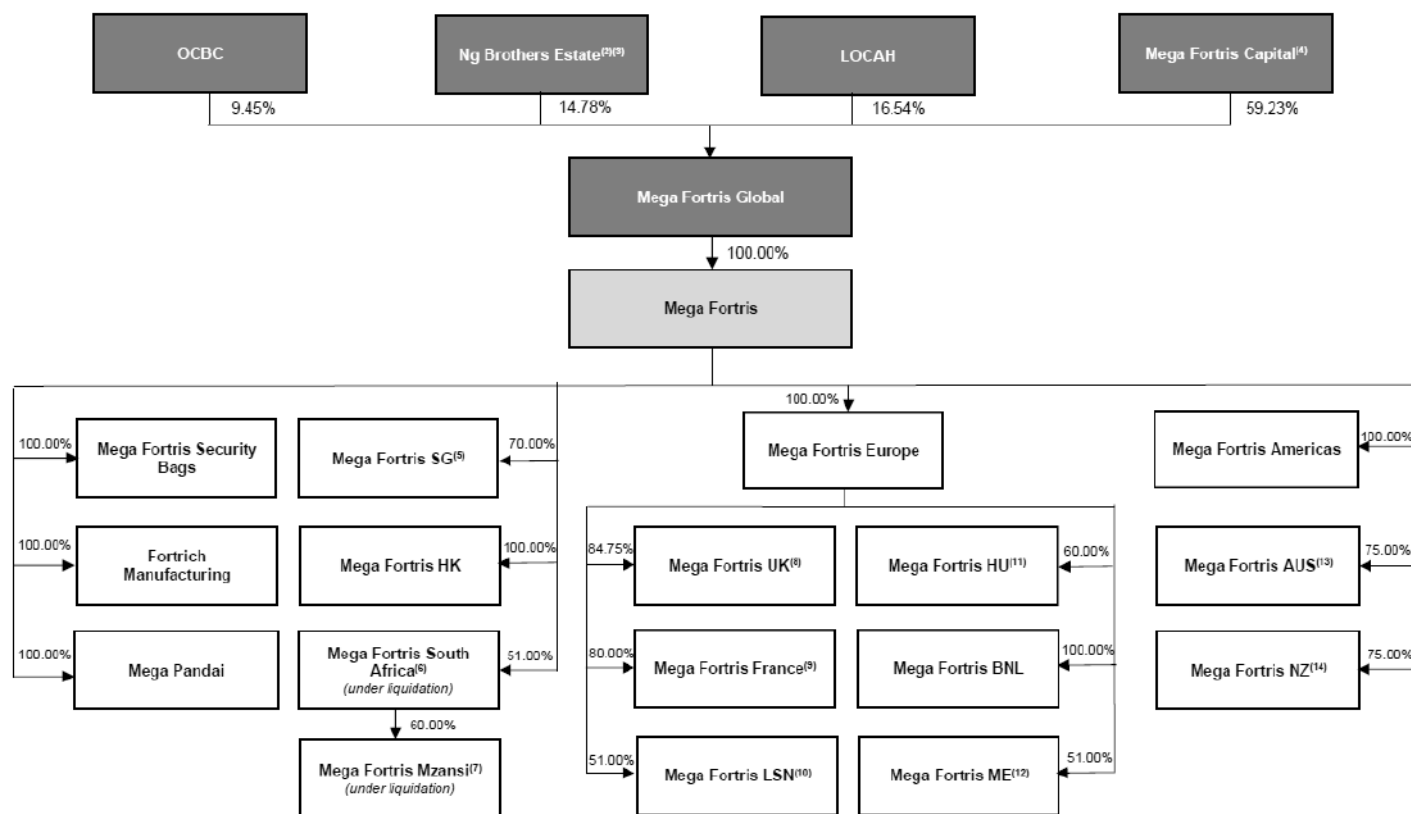
The Share Consolidation had not resulted in any changes to the value of our Company's issued share capital.

6. INFORMATION ON OUR GROUP

6.2 OUR GROUP STRUCTURE

Our shareholders and Group structure as at the LPD and after our IPO are set out below:

6.2.1 As at the LPD (after the Pre-IPO Reorganisation but before our IPO) ⁽¹⁾



6. INFORMATION ON OUR GROUP

Notes:

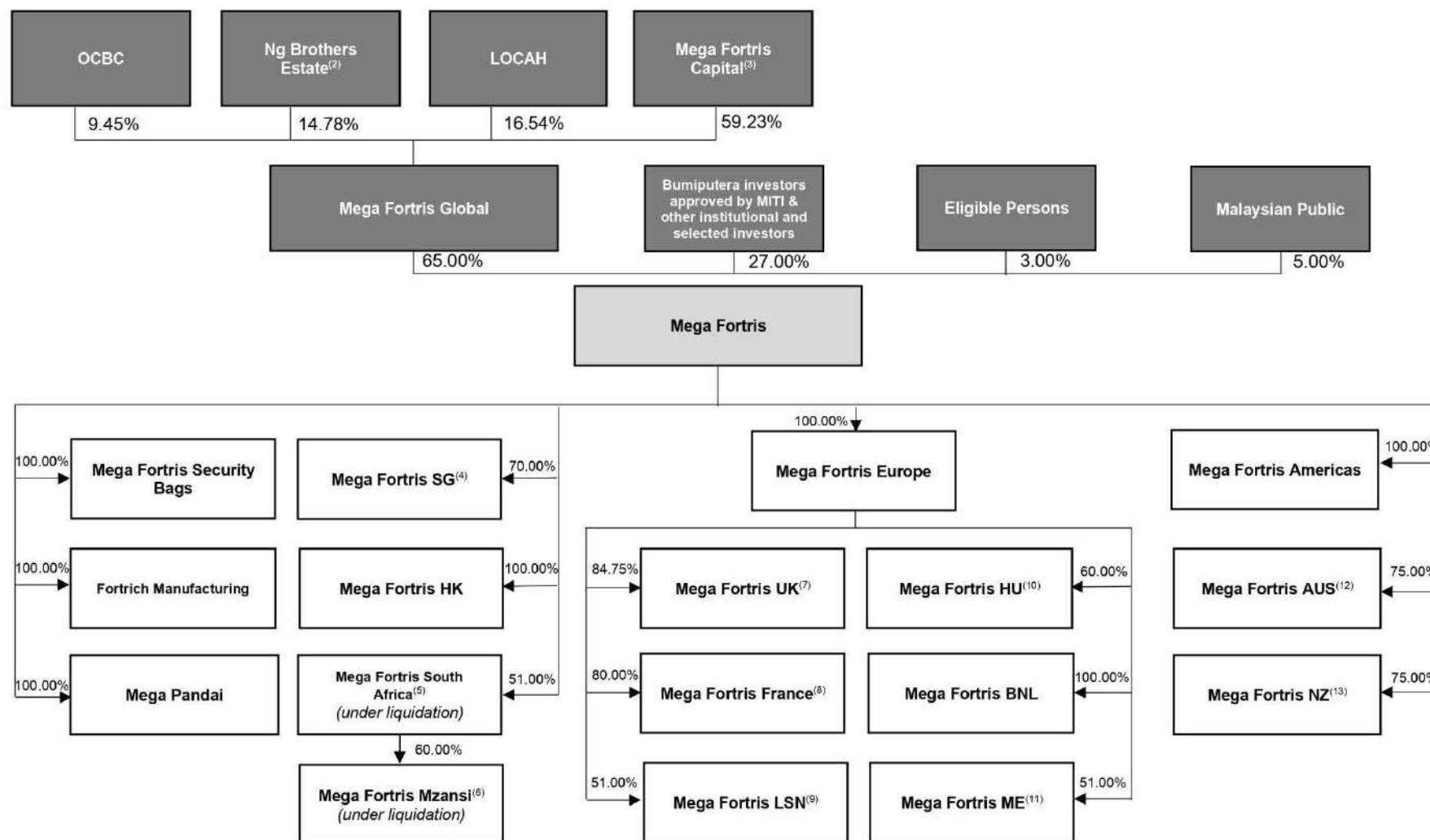
- (1) Based on the total number of 697,099,480 Shares before our IPO.
- (2) Owned by Dato' Nick Ng (50.00%) and Datuk Adrian Ng (50.00%).
- (3) On 4 February 2024, Mega Fortris Capital and Ng Brothers Estate have signed a letter of undertaking with LOCAH and OCBC to swap their entire shareholding in Mega Fortris Global with our Shares held by Mega Fortris Global after the Moratorium Period, subject to receipt of written notice by LOCAH and OCBC to implement the swapping of shares. Please refer to Section 5.1.3 of this Prospectus for further details.
- (4) Owned by Dato' Nick Ng (69.20%), Datuk Adrian Ng (25.00%), Jor-Hol International Aps (2.42%) and Ole Fast (3.38%). Jor-Hol International Aps is owned by Mette Jordon Holmelund (50.00%) and Claus Vaupell Holmelund (50.00%).
- (5) Owned by Mega Fortris (70.00%) and Chua Sia Hong (30.00%).
- (6) Owned by Mega Fortris (50.00%), Ng Chee Keong (1.00%), Great Dane Investment Holdings Pty Ltd (25.00%), HT Electronic Concepts CC (15.00%) and JMDR Investments (Pty) Ltd (9.00%). There is a deed of trust dated 2 December 2013 between Ng Chee Keong and Mega Fortris (as beneficiary), whereby Ng Chee Keong shall hold 1.00% of Mega Fortris South Africa's paid-up capital on trust for Mega Fortris. As at the LPD, Mega Fortris South Africa is under liquidation and in the process of deregistration. Please refer to Section 15.7.2 of this Prospectus for further details on the liquidation proceedings and company deregistration process of Mega Fortris South Africa.
- (7) Owned by Mega Fortris South Africa (60.00%), Tswelelo Marcia Kodisang (30.00%) and Allesandro Basso (10.00%). As at the LPD, Mega Fortris Mzansi is under liquidation and in the process of deregistration. Please refer to Section 15.7.2 of this Prospectus for further details on the liquidation proceedings and company deregistration process of Mega Fortris Mzansi.
- (8) Owned by Mega Fortris Europe (84.75%), Keith Henry Edgar (11.86%), and OEM SERV Hong Kong Limited (3.39%). OEM SERV Hong Kong Limited is owned by Horst Dieter Belle (100.00%).
- (9) Owned by Mega Fortris Europe (80.00%) and Julien Taillez (20.00%).
- (10) Owned by Mega Fortris Europe (51.00%), Horst Dieter Belle (25.00%) and Reach Invest AB (24.00%). Reach Invest AB is owned by Kent Rickard Nilsson (100.00%).

6. INFORMATION ON OUR GROUP

- (11) Owned by Mega Fortris Europe (60.00%) and Péter János Noth (40.00%).
- (12) Owned by Ole Fast (50.00%), Horst Dieter Belle (30.00%), Alessio Veroli (12.00%) and Mark William Gordon (8.00%). There is a deed of trust dated 25 January 2012 between Ole Fast (as trustee) and Mega Fortris Europe (as beneficiary), whereby Ole Fast shall hold 50.00% of Mega Fortris ME's paid-up capital on trust for Mega Fortris Europe. There is a second deed of trust dated 25 January 2012 between Horst Dieter Belle (as trustee) and Mega Fortris Europe (as beneficiary), whereby Horst Dieter Belle shall hold 1.00% of Mega Fortris ME's paid-up capital on trust for Mega Fortris Europe. As at LPD, the deeds of trust are in the midst of being terminated in line with the transfer of the legal title to Mega Fortris Europe.
- (13) Owned by Mega Fortris (75.00%) and Michael Steven Taylor (25.00%).
- (14) Owned by Mega Fortris (75.00%) and Glen Lindsay Moore (25.00%).

6. INFORMATION ON OUR GROUP

6.2.2 After our IPO⁽¹⁾



6. INFORMATION ON OUR GROUP

Notes:

- (1) Based on the enlarged total number of 844,972,480 Shares after our IPO and assuming full subscription of the 25,350,000 Issue Shares under the Retail Offering which have been reserved for the Eligible Persons.
- (2) Please refer to Notes (2) and (3) of Section 6.2.1 above.
- (3) Please refer to Note (4) of Section 6.2.1 above.
- (4) Please refer to Note (5) of Section 6.2.1 above.
- (5) Please refer to Note (6) of Section 6.2.1 above.
- (6) Please refer to Note (7) of Section 6.2.1 above.
- (7) Please refer to Note (8) of Section 6.2.1 above.
- (8) Please refer to Note (9) of Section 6.2.1 above.
- (9) Please refer to Note (10) of Section 6.2.1 above.
- (10) Please refer to Note (11) of Section 6.2.1 above.
- (11) Please refer to Note (12) of Section 6.2.1 above.
- (12) Please refer to Note (13) of Section 6.2.1 above.
- (13) Please refer to Note (14) of Section 6.2.1 above.

6. INFORMATION ON OUR GROUP

6.3 OUR SUBSIDIARIES

Our Subsidiaries as at the LPD are as follows:

Company name	Registration No.	Date of incorporation	Principal place of business / Country of incorporation	Principal activities	Equity interest (%)
Mega Europe	Fortris 26574315	14 April 2002	Hørsholm, Hovedstaden / Denmark	Trading of security seals and tamper evident products	100.00
Mega Americas	Fortris 0100906973	26 June 2003	South Brunswick, New Jersey / United States of America	Trading of security seals and tamper evident products	100.00
Mega Fortris AUS	118019837	24 January 2006	Mona Vale, New South Wales / Australia	Trading of security products	75.00
Mega Fortris NZ	274140	10 June 1985	Takanini, Auckland / New Zealand	Wholesale of security seals	75.00
Mega Fortris SG	200103655R	1 June 2001	Woodlands, Singapore / Singapore	Trading of security seals and tamper evident products	70.00
Mega Fortris HK	735439	23 October 2000	New Territories, Hong Kong / China	Trading of security seals and tamper evident products	100.00
Fortrich Manufacturing	200101022456 (558214-U)	6 September 2001	Shah Alam, Selangor / Malaysia	Manufacturing of tool and die	100.00
Mega Fortris Security Bags	200201003636 (571299-U)	11 February 2002	Shah Alam, Selangor / Malaysia	Manufacturing and trading of security bags	100.00
Mega Pandai	201901033203 (1342533-W)	17 September 2019	Shah Alam, Selangor / Malaysia	Manufacturing and printing of paper-based products	100.00

6. INFORMATION ON OUR GROUP

Company name	Registration No.	Date of incorporation	Principal place of business / Country of incorporation	Principal activities	Equity interest (%)
Mega Fortris South Africa	2013/223973/07	2 December 2013	Centurion, Gauteng / South Africa	Previously principally involved in the trading of security seals and tamper evident products. The company is under liquidation and in the process of deregistration.	51.00 ⁽¹⁾
<u>Subsidiaries of Mega Fortris Europe</u>					
Mega Fortris UK	03303919	17 January 1997	Burntwood, Staffordshire / United Kingdom	Trading of security seals and tamper evident products	84.75
Mega Fortris HU	01-09-735171	1 January 2005	Fehérvári, Budapest / Hungary	Trading of security seals and tamper evident products	60.00
Mega Fortris France	488301193	2 January 2006	Fretin, Nord / France	Trading of security seals and tamper evident products	80.00
Mega Fortris ME	DSO-FZCO-CF-200	2 February 2012	Dubai Silicon Oasis, Nadd Hessa / United Arab Emirates	Trading of packing and packaging materials and packing and packaging equipment	51.00 ⁽²⁾
Mega Fortris LSN	36687215	9 March 2015	Hørsholm, Hovedstaden / Denmark	Previously principally involved in the trading of security seals and tamper evident products. The company has ceased business since 1 July 2023.	51.00
Mega Fortris BNL	74045164	15 February 2019	Rijnsburg, South Holland / The Netherlands	Trading of security seals and tamper evident products	100.00

6. INFORMATION ON OUR GROUP

<u>Company name</u>	<u>Registration No.</u>	<u>Date of incorporation</u>	<u>Principal place of business / Country of incorporation</u>	<u>Principal activities</u>	<u>Equity interest (%)</u>
<u>Subsidiary of Mega Fortris South Africa</u>					
Mega Mzansi	Fortris 2016/110814/07	22 March 2016	Centurion, Gauteng / South Africa	Previously principally involved in the trading of security seals and tamper evident products. The company is under liquidation and in the process of deregistration.	60.00

Notes:

- (1) Owned by Mega Fortris (50.00%), Ng Chee Keong (1.00%), Great Dane Investment Holdings Pty Ltd (25.00%), HT Electronic Concepts CC (15.00%) and JMDR Investments (Pty) Ltd (9.00%). There is a deed of trust dated 2 December 2013 between Ng Chee Keong and Mega Fortris (as beneficiary), whereby Ng Chee Keong shall hold 1.00% of Mega Fortris South Africa's paid-up capital on trust for Mega Fortris.
- (2) Owned by Ole Fast (50.00%), Horst Dieter Belle (30.00%), Alessio Veroli (12.00%) and Mark William Gordon (8.00%). There is a deed of trust dated 25 January 2012 between Ole Fast (as trustee) and Mega Fortris Europe (as beneficiary), whereby Ole Fast shall hold 50.00% of Mega Fortris ME's paid-up capital on trust for Mega Fortris Europe. There is a second deed of trust dated 25 January 2012 between Horst Dieter Belle (as trustee) and Mega Fortris Europe (as beneficiary), whereby Horst Dieter Belle shall hold 1.00% of Mega Fortris ME's paid-up capital on trust for Mega Fortris Europe. As at LPD, the deeds of trust are in the midst of being terminated in line with the transfer of the legal title to Mega Fortris Europe.

6. INFORMATION ON OUR GROUP

Further details of our Subsidiaries as at the LPD are set out below:

6.3.1 Mega Fortris Europe

Mega Fortris Europe was incorporated in Denmark on 14 April 2002 as a private limited company under its present name and registered under the laws of Denmark. The issued share capital of Mega Fortris Europe as at the LPD is DKK125,000.00 comprising 125,000 ordinary shares. There were no changes in the issued share capital of Mega Fortris Europe for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris Europe does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies, save for Mega Fortris UK, Mega Fortris HU, Mega Fortris France, Mega Fortris ME, Mega Fortris LSN and Mega Fortris BNL.

6.3.2 Mega Fortris Americas

Mega Fortris Americas was incorporated in the state of New Jersey, United States of America on 26 June 2003 as a corporation under the name of Mega Fortris Marketing, Inc. and registered under the laws of the state of New Jersey, United States of America. The issued share capital of Mega Fortris Americas as at the LPD is USD10,000 comprising 2,000 ordinary shares. There were changes in the issued share capital of Mega Fortris Americas for the past three years up and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris Americas does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.3 Mega Fortris AUS

Mega Fortris AUS was incorporated in Australia on 24 January 2006 as a private limited company under its present name and registered under the laws of Australia. The issued share capital of Mega Fortris AUS as at the LPD is AUD100.00 comprising 100 ordinary shares. There were no changes in the issued share capital of Mega Fortris AUS for the past three years up to the LPD and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris AUS does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.4 Mega Fortris NZ

Mega Fortris NZ was incorporated in New Zealand on 10 June 1985 as a limited liability company under the name of Secure Equip Limited and registered under the laws of New Zealand. The issued share capital of Mega Fortris NZ as at the LPD is NZD 61,812 comprising 13,333 ordinary shares. There were no changes in the issued share capital of Mega Fortris NZ for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris NZ does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6. INFORMATION ON OUR GROUP

6.3.5 Mega Fortris SG

Mega Fortris SG was incorporated in Singapore on 1 June 2001 as a private company limited by shares under its present name and registered under the laws of Singapore. The issued share capital of Mega Fortris SG as at the LPD is SGD10.00 comprising 10 ordinary shares. There were no changes in the issued share capital of Mega Fortris SG for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris SG does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.6 Mega Fortris HK

Mega Fortris HK was incorporated in Hong Kong on 23 October 2000 as a private company limited by shares under its present name and registered under the laws of Hong Kong. The issued share capital of Mega Fortris HK as at the LPD is HKD5,000.00 comprising 5,000 ordinary shares. There were no changes in the issued share capital of Mega Fortris HK for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris HK does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.7 Fortrich Manufacturing

Fortrich Manufacturing was incorporated in Malaysia under the Companies Act 1965 on 6 September 2001 as a private limited company under the name of My Seal (Malaysia) Sdn Bhd and is deemed registered under the Act. On 27 August 2015, it changed and assumed its present name. The issued share capital of Fortrich Manufacturing as at the LPD is RM100,000.00 comprising 100,000 ordinary shares. There were no changes in the issued share capital of Fortrich Manufacturing for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Fortrich Manufacturing does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.8 Mega Fortris Security Bags

Mega Fortris Security Bags was incorporated in Malaysia under the Companies Act 1965 on 11 February 2002 as a private limited company under the name of IISS Secure (M) Sdn Bhd and is deemed registered under the Act. On 21 October 2003, it changed its name to Fortris Solutions (Malaysia) Sdn Bhd and subsequently, changed its name to Mega Rollspack (Malaysia) Sdn Bhd on 19 January 2006. On 27 March 2009, it changed and assumed its present name. The issued share capital of Mega Fortris Security Bag as at the LPD is RM3,500,000.00 comprising 3,500,000 ordinary shares. There were no changes in the issued share capital of Mega Fortris Security Bags for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris Security Bags does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6. INFORMATION ON OUR GROUP

6.3.9 Mega Pandai

Mega Pandai was incorporated in Malaysia under the Act on 17 September 2019 as a private limited company under its present name. The issued share capital of Mega Pandai as at the LPD is RM100.00 comprising 100 ordinary shares. There were no changes in the issued share capital of Mega Pandai for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Pandai does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.10 Mega Fortris South Africa

Mega Fortris South Africa was incorporated in South Africa on 2 December 2013 as a private company (proprietary limited) under its present name and registered under the laws of South Africa. As at the LPD, Mega Fortris South Africa is under liquidation and in the process of deregistration. Please refer to Section 15.7.2 of this Prospectus for further details on the liquidation proceedings and company deregistration process of Mega Fortris South Africa.

The issued share capital of Mega Fortris South Africa as at the LPD is ZAR100,000.00 comprising 100 ordinary shares. There were no changes in the issued share capital of Mega Fortris South Africa for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris South Africa does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies, save for Mega Fortris Mzansi.

6.3.11 Mega Fortris UK

Mega Fortris UK was incorporated in England on 17 January 1997 as a private limited company under the name of No. 289 Leicester Limited and registered under the laws of England and Wales. The issued share capital of Mega Fortris UK as at the LPD is GBP118.00 comprising 118 ordinary shares. There were no changes in the issued share capital of Mega Fortris UK for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris UK does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.12 Mega Fortris HU

Mega Fortris HU was incorporated in Hungary on 1 January 2005 as a limited liability company under its present name and registered under the laws of Hungary. The issued share capital of Mega Fortris HU as at the LPD is HUF5,000,000.00 comprising two business shares / quotas. There were no changes in the issued share capital of Mega Fortris HU for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris HU does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6. INFORMATION ON OUR GROUP

6.3.13 Mega Fortris France

Mega Fortris France was incorporated in France on 27 December 2005 as a limited liability company under its present name and registered under the laws of France. The issued share capital of Mega Fortris France as at the LPD is EUR30,000.00 comprising 500 ordinary shares. There were no changes in the issued share capital of Mega Fortris France for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris France does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.14 Mega Fortris ME

Mega Fortris ME was incorporated in Dubai Silicon Oasis in the United Arab Emirates on 2 February 2012 as a freezone company with limited liability under its present name and registered under the laws and regulations of the United Arab Emirates. The issued share capital of Mega Fortris ME as at the LPD is AED100,000.00 comprising 100 ordinary shares. There were no changes in the issued share capital of Mega Fortris ME for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris ME does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.15 Mega Fortris LSN

Mega Fortris LSN was incorporated in Denmark on 9 March 2015 as a private limited company under its present name and registered under the laws of Denmark. Mega Fortris LSN has ceased business since 1 July 2023. The issued share capital of Mega Fortris LSN as at the LPD is DKK 50,000.00 comprising 50,000 ordinary shares. There were no changes in the issued share capital of Mega Fortris LSN for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris LSN does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6. INFORMATION ON OUR GROUP

6.3.16 Mega Fortris BNL

Mega Fortris BNL was incorporated in the Netherlands on 15 February 2019 as a private limited company under its present name and registered under the laws of Netherlands. The issued share capital of Mega Fortris BNL as at the LPD is EUR1.00 comprising 100 ordinary shares. There were no changes in the issued share capital of Mega Fortris BNL for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris BNL does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.3.17 Mega Fortris Mzansi

Mega Fortris Mzansi was incorporated in South Africa on 22 March 2016 as a private company (proprietary limited) under its present name and registered under the laws of South Africa. As at the LPD, Mega Fortris Mzansi is under liquidation and in the process of deregistration. Please refer to Section 15.7.2 of this Prospectus for further details on the liquidation proceedings and company deregistration process of Mega Fortris South Africa.

The issued share capital of Mega Fortris Mzansi as at the LPD is ZAR1,000.00 comprising 1,000 ordinary shares. There were no changes in the issued share capital of Mega Fortris Mzansi for the past three years and from 1 July 2023 up to the LPD.

As at the LPD, Mega Fortris Mzansi does not have:

- (i) any outstanding warrants, options, convertible securities and uncalled capital; and
- (ii) any other subsidiaries, joint ventures and/or associated companies.

6.4 PUBLIC TAKE-OVERS

During the last financial year and up to the LPD, there has been:

- (i) no public take-over offers by third parties in respect of our Shares; and
- (ii) no public take-over offers by our Company in respect of other companies' shares.

7. BUSINESS OVERVIEW

7.1 BUSINESS HISTORY AND MILESTONES

The history of our business can be traced back to the incorporation of Fortris Malaysia on 25 May 1995 by our current Promoter and our Group Managing Director cum Group CEO, Datuk Adrian Ng as well as two other individuals, Low Lai Peng (the spouse of Dato' Nick Ng, our Promoter and Non-Independent Non-Executive Chairman) and Ng Meng Tatt. Datuk Adrian Ng, Dato' Nick Ng and Ng Meng Tatt are siblings. The company was incorporated in 1995 with the intention to carry out the trading of beverage products, but decided not to proceed in 1996. Fortris Malaysia ventured into trading of security seals in 1996 and manufacturing of security seals in the second half of 1997.

As part of management's intention to expand its security seal business operations, in 2000, Fortris Malaysia went into a joint-venture arrangement with our Company (when we were known as Bloxwich Security Products Sdn Bhd) to merge the security seal businesses of the two companies. Then, Bloxwich Security Products Sdn Bhd was involved in the manufacturing of security seals. Pursuant to the joint-venture arrangement, Mega Fortris carried out the Asset Transfer. Upon the completion of the Asset Transfer in 2001, we undertook the manufacturing of plastic seals in Shah Alam, Selangor before the relocation to our existing security seals production facility in No. 29 Property at Kota Kemuning, Shah Alam, Selangor in 2011.

Pursuant to the joint-venture arrangement, Dato' Nick Ng (24.50%) and Ng Weng Choi (24.50%) collectively held 49.0% equity interest in our Company, while the remaining 51.0% of equity interest was held by Mega First Corporation Berhad through its wholly owned subsidiaries, namely Mega First Engineering Sdn Bhd (50.00%) and Mega First Corporate Services Sdn Bhd (1.00%) in 2001. Dato' Nick Ng was appointed as the Director of Mega Fortris in 2001 where he was responsible for the overall business expansion and revenue growth. In 2001, Datuk Adrian Ng was appointed as Director of Mega Fortris where he assisted in the expansion and growth of the company's UK and Europe markets.

In 2006, Dato' Nick Ng acquired the remaining 51.00% of the equity interest of Mega Fortris from Mega First Engineering Sdn Bhd and Mega First Corporate Services Sdn Bhd. Pursuant to the completion of acquisitions in 2006, Dato' Nick held 75.50% of the equity interest while Ng Weng Choi held the remaining 24.50% equity interest in our Company. In 2006, our security seal business of Mega Fortris covered the operations in Malaysia and other foreign countries including Singapore, the UK, Denmark, and the USA. In 2011, Datuk Adrian Ng acquired a 20.00% equity interest in our Company from Dato' Nick Ng.

There were several shareholding restructuring exercises involving the disposal of shares in our Company by Dr Nick Ng, Datuk Adrian Ng and Ng Weng Choi to a few shareholders who were mainly business partners, to explore business expansion of our Company in Malaysia and other foreign countries between 2007 and 2017. Subsequently in 2018, Mega Fortris Global acquired 100.00% equity interest in our Company.

In 2019, three foreign investors from Singapore acquired a collective 40.77% of the equity interest of Mega Fortris Global including LOCAH (16.54%), EDBI (14.78%) and OCBC (9.45%), while the remaining 59.23% equity interest was held by Mega Fortris Capital. In January 2024, Datuk Adrian Ng and Dato' Nick Ng acquired the 14.78% equity interest held by EDBI in Mega Fortris Global through Ng Brothers Estate. Please refer to Section 5.1.2 (iv) of this Prospectus for further details of the acquisition of EDBI's equity interest in Mega Fortris Global by Ng Brothers Estate. Following thereto, the shareholders of Mega Fortris Global comprises Mega Fortris Capital (59.20%), Ng Brothers Estate (14.78%), LOCAH (16.54%) and OCBC (9.45%). Please refer to Section 6.2 of this Prospectus for further details of our Group structure.

7. BUSINESS OVERVIEW

The key events and milestones in the history and development of our Group are set out below:

Year	Key Events and Milestones
2000	<p>As part of management's intention to expand its security seal business operations, Fortris Malaysia went into a joint-venture arrangement with us to merge the security seal businesses of the two companies. Our Company was initially involved in trading of cable seals. We acquired the assets from Fortris Malaysia pursuant to the Asset Transfer.</p> <p>Upon the completion of the Asset Transfer in 2001, Mega Fortris commenced the manufacturing of plastic seals in Shah Alam, Selangor. Since then, we progressively expanded our production facilities up to a total of 38 injection moulding machines with a total capacity of 530 million pieces of plastic-related security seals per year as at 30 June 2023.</p> <p>We acquired 30.0% equity interests in Mega Fortris HK ⁽¹⁾ in 2000 and subsequently increased our equity interest to 70.0% in 2003. Mega Fortris HK is involved in the sales of security seals in the Hong Kong market. As at the LPD, Mega Fortris HK is located in Hong Kong.</p>
2001	<p>Incorporation of Mega Fortris SG ⁽²⁾ in Singapore in 2001. Mega Fortris SG is involved in the sales of security seals in the same year to the Singaporean market. As at LPD, Mega Fortris SG's office is located in Singapore.</p>
2002	<p>As part of our geographical expansion plans, we expanded our business operations to Europe through the following:</p> <ul style="list-style-type: none"> (i) incorporation of Mega Fortris Europe ⁽³⁾ in Denmark in 2002. Mega Fortris Europe is involved in the sales of security seals to Europe markets. As at LPD, our office with storage facility is located in Denmark. (ii) acquisition of 100.0% equity interest in Mega Fortris UK ⁽⁴⁾ in the UK. Mega Fortris UK is involved in the supply of security seals and related products such as load securement products in the UK. As at the LPD, Mega Fortris UK's office (with storage facility) is located in the UK.
2003	<p>We expanded our business to the Americas through the incorporation of Mega Fortris Americas ⁽⁵⁾ in 2003. In 2004, Mega Fortris Americas commenced its business in the supply of security seals and related products in the 2004 to the America market. As at LPD, Mega Fortris Americas' office (with storage facility) is located in the USA.</p>
2005	<p>We expanded our operations to Hungary through the incorporation of Mega Fortris HU ⁽⁶⁾. In 2005, Mega Fortris HU commenced its business in the sales of security seals in the Europe region. As at the LPD, Mega Fortris HU's office (with storage facility) is located in Hungary.</p>

7. BUSINESS OVERVIEW

Year	Key Events and Milestones
2006	<p>We continued to expand our operations in Europe, where we incorporated Mega Fortris France ⁽⁷⁾ in December 2005. In 2006, Mega Fortris France commenced its business in the sales of security seals to the Europe market. As at LPD, Mega Fortris France's sales office (with storage facility) is located in France.</p> <p>In 2006, our Promoter, Dato' Nick Ng acquired the remaining 51.00% equity interest in our Company from Mega First Engineering Sdn Bhd and Mega First Corporate Services Sdn Bhd.</p> <p>Mega Fortris Security Bags ⁽⁸⁾ commenced the trading and converting of security bags in 2006. Before 2006, the company was dormant. In 2012, it invested in printing facilities for security bags. The production facilities of Mega Fortris Security Bags was located in Shah Alam Technology Park before it was relocated to the No. 56 Property.</p>
2008	We started to supply in-house manufactured security box to a customer in Macao.
2011	We relocated our security seals manufacturing operations as well as trading and converting of security bags operations to our existing production facility at Kota Kemuning, Shah Alam, Selangor.
2012	We expanded our operations to the Middle East and incorporated Mega Fortris ME ⁽⁹⁾ in 2012 which commenced the sales of security seals and related products to the Middle East markets in the same year of 2012. As at LPD, Mega Fortris ME's sales office is located in UAE.
2015	We expanded our operations in Europe and incorporated Mega Fortris LSN ⁽¹⁰⁾ in 2015 which commenced sales of security seals and load securement products. To streamline the business operations in Europe, Mega Fortris LSN had ceased its business activity in July 2023 and our subsidiary Mega Fortris Europe took over Mega Fortris LSN's business to continue to serve the Sweden market.
2018	We acquired 100% equity interest in Fortrich Manufacturing from two individuals in 2018 for it to become our wholly-owned subsidiary. The company is involved in the die-casting manufacturing and fabrication, repair and maintenance of moulds to support our plastic injection moulding operations. The production facilities of Fortrich Manufacturing were then located in Kepong, Kuala Lumpur, before it was relocated to our current production facility at the No.29 Property in April of 2023. In the same year, we ceased the die-casting manufacturing activity.
2018	We expanded our operations to New Zealand and acquired Mega Fortris NZ ⁽¹¹⁾ in 2018, for the sales of our security seals in the New Zealand market. As at the LPD, Mega Fortris NZ's office (with storage facility) is located in New Zealand.

7. BUSINESS OVERVIEW

Year	Key Events and Milestones
2019	We expanded our operations to Netherlands and incorporated Mega Fortris BNL ⁽¹²⁾ which commenced its business in the same year in 2019. As at LPD, Mega Fortris BNL's office is located in the Netherlands and the company is mainly involved the sales of our security seals in the Europe market.
	We expanded our operations to Australia through the acquisition of Mega Fortris AUS ⁽¹³⁾ in 2019. As at the LPD, Mega Fortris AUS' office (with storage facility) is located in Australia and the company is mainly involved in the sales of our security seals in Australia.
2023	<p>As part of our reorganisation and restructuring exercise, we acquired:</p> <p>(i) the entire equity interest of Mega Fortris Europe and Mega Fortris Americas, and 75% equity interest of Mega Fortris NZ and Mega Fortris AUS, from Mega Fortris Global in June 2023; and</p> <p>(ii) the remaining minority interest of Mega Fortris Security Bags from Dato' Nick Ng and Datuk Adrian Ng in October 2023.</p> <p>Please refer to Section 6.1.2.1 and Section 6.1.2.2 of this Prospectus for further details of the Acquisitions and the Acquisitions of Mega Fortris Security Bags' Minority Interests, respectively.</p>

Notes:

- (1) Mega Fortris HK became a subsidiary of our Group when we increased our equity interest in the company from 30.00% in 2000 to 70.00% in 2003. As at the LPD, Mega Fortris HK is our wholly-owned subsidiary.
- (2) We acquired 70.00% of the equity interest in Mega Fortris SG in June 2001.
- (3) Mega Fortris Europe was initially held by our Company (65.00%), Fast Holding Aps (32.50%) and an individual, namely Fleming Rikard Petersen (2.50%) in 2002. Mega Fortris Europe had undergone several shareholdings restructuring exercises before it was fully held by Mega Fortris Global in 2019. As at the LPD, Mega Fortris Europe is our wholly-owned subsidiary.
- (4) In 1998, Fortris Malaysia acquired 50.00% equity interest in Mega Fortris UK and the remaining 50.00% equity interest were held by Cornwell Industries Limited, a company in the UK. In 2002, we acquired 100% equity interest in Mega Fortris UK from Fortris Malaysia and subsequently changed its name to its current name. As at the LPD, Mega Fortris UK is our 84.8%-owned subsidiary while the remaining 15.2% is collectively held by an individual, Keith Henry Edgar (11.8%) and Oemserve (Hong Kong) Ltd (3.40%).
- (5) Mega Fortris Americas was incorporated in 2003. In 2014, Mega Fortris Americas changed its name to its current name. As at the LPD, Mega Fortris Americas is our wholly-owned subsidiary.
- (6) Mega Fortris HU was incorporated in 2005 which was then held by Mega Fortris Europe (60.0%) and an individual, namely Peter Janos Noth (40.0%). No transfer of shares has taken place since the incorporation of the company on 1 January 2005.

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- (7) Mega Fortris France was incorporated in 2005 which was then held by Mega Fortris Europe (60.0%) and an individual, namely Christian Taillez (40.0%). Subsequently Mega Fortris Europe increased its equity interest in Mega Fortris France to 80.0% in 2013. As at the LPD, Mega Fortris France is our 80%-owned subsidiary while the remaining 20% equity interest is held by Christian Taillez.
- (8) Mega Fortris Security Bags was then held by Dato Nick Ng (99.99%) and Datuk Adrian Ng (0.01%). In 2006, it commenced the trading and converting of security bags. In October 2023, we also acquired Mega Fortris Security Bags from Dato' Nick Ng and Datuk Adrian Ng. As at the LPD, Mega Fortris Security Bags is our wholly-owned subsidiary.
- (9) Mega Fortris ME was incorporated in 2012 which was then held by three individuals namely, Ole Fast (50.0%), Horst Dieter Belle (30.0%) and Mark William Gordon (20.0%). As at the LPD, Mega Fortris ME is our 51%-owned subsidiary while the remaining 49.0% equity interests are held by Horst Dieter Belle (29.0%), Alessio Verolli (12.0%) and Mark William Gordon (8.0%).
- (10) Mega Fortris LSN was incorporated in 2015 and held by Mega Fortris Europe (51.00%), Reach Invest AB (24.0%) and Horst Dieter Belle (25.0%).
- (11) Mega Fortris NZ was collectively acquired by our promoters (75.0%), Dato' Nick Ng and Datuk Adrian Ng in 2018 and the remaining 25.0% equity interest was held by an individual, namely Glen Lindsay Moore. In the same year during 2018, Mega Fortris Global acquired the 75.00% equity interest from Dato' Nick Ng and Datuk Adrian Ng. As at LPD, Mega Fortris NZ is our 75.0% owned subsidiary subsidiary and the remaining 25.0% equity interest is held by Glen Lindsay Moore.
- (12) Mega Fortris BNL was incorporated in 2019 as wholly-owned by Mega Fortris Europe.
- (13) Mega Fortris AUS was incorporated in 2006 and was then held by one individual namely, Phillip Owen Rolls (100%). Mega Fortris Global acquired 75.0% of equity interest in Mega Fortris AUS in 2019. As at LPD, Mega Fortris AUS is our 75.0%-owned subsidiary, while the remaining 25.0% equity interest in the company is held by Michael Steven Taylor.

7. BUSINESS OVERVIEW

7.2 AWARDS AND RECOGNITIONS

As at the LPD, we have obtained the following awards and recognitions:

Year	Key awards and recognitions	Awarding party
2020	CHT Pursuit of Excellence (Security Seal Manufacturer) Award 2020	CHT Network Sdn Bhd
2019	Asean Outstanding Business Award 2019 – Asean Master Class Award in RFID Security Excellence	Asean Business Advisory Council Malaysia
2018	Certificate of appreciation on business excellence best practice study visit	Malaysia Productivity Corporation
2018	Certificate of appreciation for the contribution in supplying “Stickers Hotline” to Shah Alam police headquarters	Royal Malaysia Police
2017	Sin Chew Business Excellence Awards 2017 for the category below: - Product Excellence Awards - CIMB -Sin Chew Regional Excellence Award	Sin Chew Media Corporation Berhad
2017	Selangor International Business Summit 2017 under the Business Excellence & Innovation Award	Selangor State Government
2017	SME Excellence Award for Business Dynamism	Asean Business Advisory Council Malaysia
2017	Certificate of partnership on business excellence best practice study visit	Malaysia Productivity Corporation
2016-2017	The BrandLaureate SMEs Best Brands’ Award Signature Branding – Manufacturing Security Seals	The World Brands Foundation
2016	Cyber Security Company of the Year	Ministry of Science, Technology and Innovation and Cyber Security Malaysia
2016	Star Outstanding Business Awards 2016 for the categories below: - Malaysian business of the year - Gold for best global market - Gold for best innovation - Silver for best brand - Certificate of merit (above RM25 million and above category) - Most awards won	Star Media Group Berhad
2015	Global Performance Excellence Awards under the World Class Large Manufacturing category	Asia Pacific Quality Organisation

7. BUSINESS OVERVIEW

Year	Key awards and recognitions	Awarding party
2014	Industry Excellence Award 2014 under the Manufacturing Sector Award category	Ministry of Investment, Trade and Industry
2014	Global Performance Excellence Awards under the Best in Class Large Manufacturing Organisation category	Asia Pacific Quality Organisation
2014	MDBC Sustainability Award 2014 under the area below: - Best Business Sustainability by a multinational company - Innovation Pioneer Segment	Malaysian Dutch Business Council (MDBC)
2013	SIRIM Quality Award 2013 (Product)	SIRIM Berhad
2012	Certificate of Merit in recognition of being a Finalist of the FMM Excellence Award 2012	Federation of Malaysian Manufacturers
2012	FMM Excellence Award 2012, Manufacturer of the Year Award – Large Category	Federation of Malaysian Manufacturers

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

As at the LPD, we are a member of the following associations:

- (i) International Seal Manufacturers Association (ISMA); and
- (ii) Transported Asset Protection Association (TAPA).

7. BUSINESS OVERVIEW

7.3 OVERVIEW OF OUR BUSINESS

7.3.1 Our business model

Our business model is as follows:



Notes:

- (1) For the FYE 2021, FYE 2022 and FYE 2023, 80.25%, 78.13% and 76.37% of our total revenue were derived from in-house designed and manufactured security seals respectively. The remaining 19.75%, 21.87% and 23.63% were derived from externally sourced related products and services from third parties.

7. BUSINESS OVERVIEW

- (2) For the FYE Under Review, it includes mainly plastic seals and small proportion of security boxes for the playing cards.
- (3) Include other tamper-evident products comprising security tapes and labels, other related products (such as (i) security boxes and bags, (ii) TITO tickets, and (iii) UV casino scanner), as well as distribution and maintenance of a playing card security box tracking software system.
- (4) Includes government, companies involved in the provision of security and cash-in-transit activities, public utility, aviation, financial institutions, insurance, healthcare, pharmaceuticals, and packaging sectors.
- (5) As at the LPD, we have operations in Malaysia and 11 foreign countries. For the FYE Under Review, the major operating countries were Malaysia, the USA, the UK and Denmark whereby each country accounted for 10.00% or more of our total revenue for at least one of the FYE Under Review.

7.3.2 Business activities and revenue streams

We are specialists in security seals supported by our manufacturing facilities in Malaysia, and offices in Malaysia and 11 foreign countries. Our business activities are as follows:

- **Design and manufacturing**

We design and manufacture security seals. 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 manufacture a range of security seals comprising plastic seals, container seals, cable seals and security bags. Revenue from the sales of our manufactured security seals accounted for 80.25%, 78.13% and 76.37% of our total revenue for the FYE 2021, FYE 2022 and FYE 2023 respectively.

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 design concepts are translated into detailed engineering specifications and we create prototypes using 3D printing to test product dimension, functionality and usability. This is supported by our product development team to innovate on seal designs to incorporate security features and tamper-evident mechanisms. In addition, the design also takes into consideration the durability of usage and ability to withstand challenging environmental conditions to minimise accidental damage or tampering during transportation and storage.

Our manufacturing facilities in 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 30 June 2023, our annual production capacity of security seals is approximately 530 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. 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.

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• Trading and related services

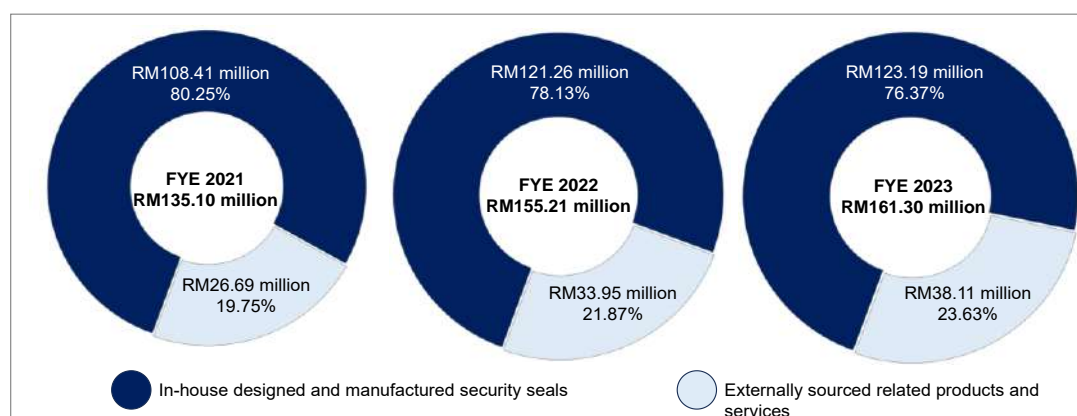
We carry out trading and related activities to complement our in-house designed and manufactured security seals. This allows us to (i) provide convenience to our existing customers and (ii) attract new customers, as we are able to offer a wider range of related products.

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 other 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. We source the system from our supplier who is the developer and owner of the said system.

Revenue from trading and related services accounted for 19.75%, 21.87% and 23.63% of our total revenue for the FYE 2021, FYE 2022 and FYE 2023 respectively.

Our revenue contribution by in-house designed and manufactured security seals, and externally sourced related products and services are set out below:



For the FYE Under Review, our revenue contribution by products is set out below:

Revenue products	by	FYE 2021		FYE 2022		FYE 2023	
		RM '000	%	RM '000	%	RM '000	%
In-house designed and manufactured ⁽¹⁾		108,413	80.25	121,263	78.13	123,194	76.37
Plastic seals		46,256	34.24	51,581	33.23	58,138	36.04
Container seals		23,141	17.13	25,837	16.65	25,797	15.99
Cable seals		32,500	24.06	35,264	22.72	32,362	20.06
Security bags		6,516	4.82	8,581	5.53	6,897	4.28
Externally sourced ⁽²⁾		26,685	19.75	33,948	21.87	38,109	23.63
Load securement products		17,380	12.86	23,002	14.82	25,164	15.60
Other related products and services		9,305	6.89	10,946	7.05	12,945	8.03
Total revenue		135,098	100.00	155,211	100.00	161,303	100.00

7. BUSINESS OVERVIEW

Notes:

- (1) This includes security seals that were produced by Shaoxing Mega Fortris, our previous subsidiary with a security seal manufacturing facility in China before its cessation of manufacturing operations in April 2022. For FYE 2021 and FYE 2022, the purchase of complete security seals from Shaoxing Mega Fortris was RM11.55 million and RM8.54 million respectively. The company was subsequently deregistered as a company in March 2023
- (2) Externally sourced other related products and services include other tamper-evident products comprising security tapes and labels and other related products (such as (i) security boxes and bags, (ii) TITO tickets, and (iii) UV casino scanner), as well as distribution and maintenance of a playing card security box tracking software system.

7.3.3 Principal markets

As at the LPD, we have operations in 12 countries including our headquarters, manufacturing facilities and sales and technical support located in Malaysia as well as our offices in 11 foreign countries namely Australia, New Zealand, Singapore, Hong Kong, USA, UK, Denmark, Hungary, France, Netherlands and, UAE (Dubai).

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. Our major countries of operations were the USA, the UK and Denmark which accounted for 10% or more of our total revenue for at least one of the FYE Under Review. Our in Malaysia accounted for 21.35%, 20.73% and 24.52% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively.

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Revenue by operational locations

For the FYE Under Review, revenue contribution by the locations of our operations based in Malaysia and foreign countries is set out below:

Revenue by operational locations	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Foreign operations ⁽¹⁾	106,253	78.65	123,042	79.27	121,752	75.48
In-house designed and manufactured	80,785	59.80	91,238	58.78	86,527	53.64
- Plastic seals	30,035	22.24	34,993	22.55	34,065	21.11
- Container seals	15,363	11.37	18,149	11.69	17,286	10.72
- Cable seals	30,775	22.78	33,104	21.33	29,579	18.34
- Security bags	4,612	3.41	4,992	3.21	5,597	3.47
Externally sourced	25,468	18.85	31,804	20.49	35,225	21.84
- load securement products	17,377	12.86	23,000	14.82	25,162	15.60
- Other related products and services	8,091	5.99	8,804	5.67	10,063	6.24
Malaysia operations	28,845	21.35	32,169	20.73	39,551	24.52
In-house designed and manufactured security seals	27,628	20.45	30,025	19.34	36,667	22.73
- Plastic seals	16,221	12.01	16,588	10.69	24,073	14.92
- Container seals	7,778	5.76	7,688	4.95	8,511	5.28
- Cable seals	1,725	1.28	2,160	1.39	2,783	1.73
- Security bags	1,904	1.40	3,589	2.31	1,300	0.80
Externally sourced products	1,217	0.90	2,144	1.39	2,884	1.79
- load securement products	3	#	2	#	2	#
- Other tamper-evident products	1,214	0.90	2,142	1.39	2,882	1.79
Total revenue	135,098	100.00	155,211	100.00	161,303	100.00

Notes:

Less than 0.01%.

(1) Foreign operations refer to revenue derived from our foreign subsidiaries for the sales of our in-house designed and manufactured security seals from Malaysia, and the sales of externally sourced related products and services.

7. BUSINESS OVERVIEW

For the FYE Under Review, revenue contribution by the locations of our operations based on regions and countries is set out below:

Revenue by region and country 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
Malaysia	28,845	21.35	32,169	20.73	39,551	24.52
Others:						
Australia	7,449	5.51	6,631	4.27	8,650	5.36
New Zealand	4,441	3.29	5,679	3.66	5,331	3.30
Singapore	1,730	1.28	2,136	1.38	2,548	1.58
Hong Kong ⁽¹⁾	270	0.20	221	0.14	283	0.18
Americas	32,464	24.03	42,565	27.42	42,081	26.09
USA	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
UK	23,057	17.07	27,562	17.75	28,563	17.70
Denmark	16,550	12.25	15,987	10.30	10,155	6.30
Hungary	6,777	5.02	5,674	3.66	5,449	3.38
France	4,642	3.44	5,643	3.64	5,978	3.71
Netherlands	2,423	1.79	3,000	1.93	3,044	1.89
Middle East	6,450	4.77	7,944	5.12	9,670	5.99
UAE (Dubai)	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

Note:

- (1) We do not have permanent staff for our Hong Kong office and the operation activity is outsourced to a third-party in Hong Kong.

7. BUSINESS OVERVIEW

Revenue by our customers' locations

We serve customers outside our operational bases where our customers are located across countries within the Europe, Asia Pacific, Americas, Europe, the Middle East, and Africa and other regions.

For the FYE Under Review, revenue by the locations of our customers (based on customers' addresses on invoices) is set out below:

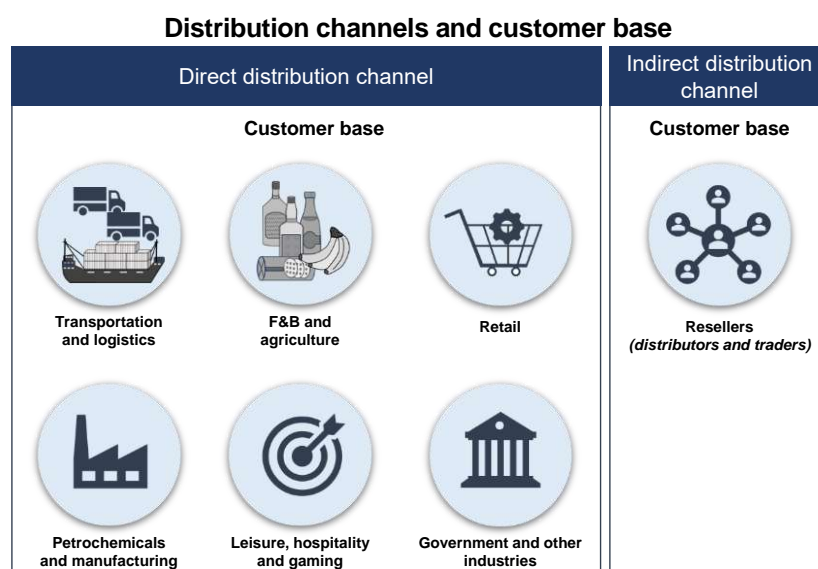
Revenue customers' locations	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Europe	51,126	37.84%	55,729	35.91%	53,352	33.08%
UK	21,859	16.18%	25,371	16.35%	25,529	15.83%
France	4,541	3.36%	5,549	3.58%	5,864	3.64%
Hungary	3,221	2.38%	3,348	2.16%	3,642	2.26%
Belgium	3,765	2.79%	3,422	2.20%	2,243	1.39%
Sweden	2,810	2.08%	3,532	2.28%	2,517	1.56%
Spain	1,276	0.94%	2,855	1.84%	2,959	1.83%
Netherlands	2,550	1.89%	1,919	1.24%	2,021	1.25%
Italy	3,472	2.57%	1,540	0.99%	584	0.36%
Ireland	1,103	0.82%	1,891	1.22%	2,322	1.44%
Romania	2,481	1.84%	1,109	0.71%	625	0.39%
Germany	647	0.48%	1,621	1.04%	1,266	0.78%
Norway	1,471	1.09%	291	0.19%	539	0.33%
Others ⁽¹⁾	1,930	1.42%	3,281	2.11%	3,241	2.02%
Asia Pacific	43,566	32.25%	45,615	29.39%	53,305	33.05%
Australia	7,323	5.42%	6,495	4.18%	8,508	5.27%
Philippines	5,918	4.38%	6,491	4.18%	9,815	6.08%
Malaysia	6,576	4.87%	6,977	4.50%	7,046	4.37%
New Zealand	4,130	3.06%	5,416	3.49%	5,027	3.12%
Taiwan	3,381	2.50%	2,447	1.58%	2,804	1.74%
Macao	2,325	1.72%	2,994	1.93%	3,233	2.00%
Singapore	2,506	1.85%	2,671	1.72%	2,968	1.84%
Thailand	1,846	1.37%	2,944	1.90%	2,654	1.65%
Pakistan	2,134	1.58%	2,441	1.57%	1,436	0.89%
Hong Kong	1,397	1.03%	1,509	0.97%	1,926	1.19%
South Korea	1,304	0.97%	1,511	0.97%	2,005	1.24%
Others ⁽²⁾	4,726	3.50%	3,719	2.40%	5,883	3.66%
Americas	30,350	22.47%	39,382	25.37%	39,736	24.63%
USA	19,817	14.67%	24,710	15.92%	25,839	16.02%
Mexico	3,862	2.86%	5,380	3.47%	6,344	3.93%
Peru	4,014	2.97%	5,015	3.23%	3,243	2.01%
Others ⁽³⁾	2,657	1.97%	4,277	2.75%	4,310	2.67%
Middle East	6,762	5.01%	8,149	5.25%	10,027	6.22%
UAE	5,979	4.43%	6,955	4.48%	8,495	5.27%
Others ⁽⁴⁾	783	0.58%	1,194	0.77%	1,532	0.95%
Africa and others	3,294	2.43%	6,336	4.08%	4,883	3.02%
South Africa	1,208	0.89%	3,454	2.23%	932	0.58%
Others ⁽⁵⁾	2,086	1.54%	2,882	1.85%	3,951	2.44%
Total revenue	135,098	100.00%	155,211	100.00%	161,303	100.00%

7. BUSINESS OVERVIEW

Notes:

- (1) Include Iceland, Slovakia, Switzerland, Denmark, Montenegro, Czech Republic, Austria, Croatia, Finland, Bulgaria, Cyprus and others.
- (2) Include Vietnam, Japan, Myanmar, Indonesia, Cambodia, Papua New Guinea, Azerbaijan, Sri Lanka, Fiji and others.
- (3) Include Ecuador, Brazil, Canada, Honduras, Dominican Republic, Columbia, Costa Rica and others.
- (4) Include Sultanate of Oman, Qatar, Saudi Arabia and others.
- (5) Include Puerto Rico, Côte d'Ivoire, Egypt, Jamaica, Guyana, Mauritania, Ghana, Ethiopia, Zimbabwe and others.

7.3.4 Distribution channels and customers



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. They include companies operating in transportation and logistics; F&B and agriculture; retail; petrochemicals and manufacturing; leisure, hospitality and gaming; and government and other industries. Our direct distribution channel strategy enables us to target end-users to cultivate long-term business relationships with our customers. This is important to facilitate a better understanding of the operational and technical requirements of our customers which in turn allows us to improve our product functionality and quality as well as enable us to continuously develop or enhance our product offerings.

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. Our customer base of resellers comprises distributors and traders of our products. Our indirect distribution channel strategy enables us to gain access to a wider market reach in domestic and foreign countries without requiring investment in sales infrastructure and resources to reach end-users.

7. BUSINESS OVERVIEW

Our revenue contribution by distribution channels and customer base for the FYE Under Review is set out below:

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 ⁽¹⁾	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 ⁽²⁾	9,702	7.18	11,743	7.57	11,448	7.10
Leisure, hospitality and gaming ⁽³⁾	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 ⁽⁴⁾	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 ⁽⁵⁾	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

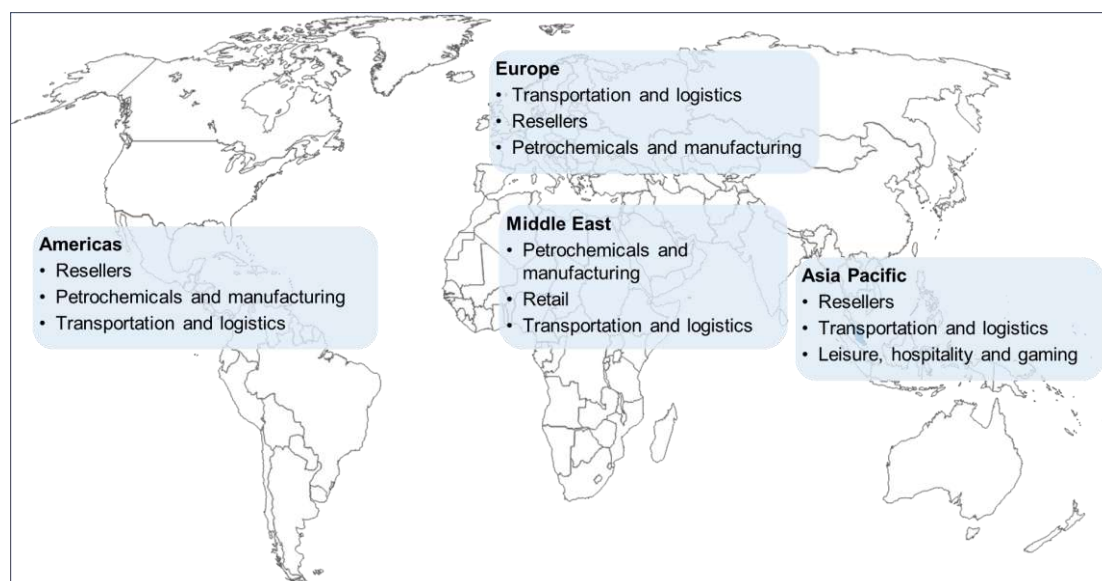
Notes:

- (1) Includes companies involved in postal and courier services.
- (2) Includes retailers and e-commerce such as mini-market and supermarket operators, and online e-commerce companies.
- (3) Includes casino operators.
- (4) Includes end-user industries including security and cash-in-transit services, public utility and related services, aviation services, financial institutions and insurance, healthcare, medical-related services and pharmaceuticals, packaging products and information technology.
- (5) Includes distributors and traders who resell our products mainly under the "Mega Fortris" brand.

We serve customers in diverse industries within various regions namely, Asia Pacific, Europe, Americas and Middle East regions. This is supported by our offices in Malaysia and 11 foreign countries.

7. BUSINESS OVERVIEW

For the FYE Under Review, our top three customer bases/end-user industries (based on customers' addresses on invoices)* in each of the regions we serve are set out below:



* Refers to the top three customer bases/end-user industries for each region based on their aggregated revenue contribution for the FYE Under Review.

Our top three customer bases/end-user customers by region (based on customers' addresses on invoices) are set out below:

Top three customer bases/end-user industries by region	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Europe	51,126	37.84%	55,729	35.91%	53,352	33.08%
Transportation and logistics	13,810	10.22	12,227	7.88%	9,704	6.02%
Resellers	11,732	8.68	10,604	6.83%	9,179	5.69%
Petrochemicals and manufacturing	8,178	12.05	8,938	5.76%	7,430	4.61%
Others ⁽¹⁾	17,406	12.87	23,960	15.44%	27,039	16.76%
Asia Pacific	43,566	32.25%	45,615	29.39%	53,305	33.05%
Resellers	12,860	9.52%	13,757	8.86%	15,621	9.68%
Transportation and logistics	9,511	7.04%	8,215	5.29%	8,830	5.47%
Leisure, hospitality and gaming	4,880	3.61%	6,310	4.07%	8,582	5.32%
Others ⁽²⁾	16,315	12.08%	17,333	11.17%	20,272	12.58%
Americas	30,350	22.47%	39,382	25.37%	39,736	24.63%
Resellers	13,882	10.28%	19,999	12.89%	17,839	11.06%
Petrochemicals and manufacturing	7,177	5.31%	8,359	5.39%	8,477	5.26%
Transportation and logistics	3,925	2.91%	5,467	3.52%	4,745	2.94%
Others ⁽¹⁾	5,366	3.97%	5,557	3.57%	8,675	5.37%

7. BUSINESS OVERVIEW

Top three customer bases/end-user industries by region	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Middle East	6,762	5.01%	8,149	5.25%	10,027	6.22%
Petrochemicals and manufacturing	3,914	2.90%	4,686	3.02%	5,573	3.45%
Retail	1,279	0.95%	1,329	0.86%	1,458	0.90%
Transportation and logistics	606	0.45%	1,304	0.84%	1,492	0.92%
Others ⁽³⁾	963	0.71%	830	0.53%	1,504	0.93%
Africa and other regions	3,294	2.43%	6,336	4.08%	4,883	3.02%
Resellers	1,580	1.17%	2,415	1.56%	2,525	1.57%
Retail	1,119	0.83%	2,598	1.67%	48	0.03%
F&B and agricultural products	173	0.13%	425	0.27%	1,030	0.64%
Others ⁽⁴⁾	422	0.30%	898	0.58%	1,280	0.79%
Total revenue	135,098	100.00%	155,211	100.00%	161,303	100.00%

Notes:

- (1) Include mainly F&B and agriculture, retail, government, and leisure, hospitality and gaming industries.
- (2) Include mainly government, F&B and agriculture, retail, petrochemicals and manufacturing industries.
- (3) Include mainly F&B and agriculture industries as well as government and resellers.
- (4) Include transportation and logistics, and petrochemicals and manufacturing industries.

7.4 MODE OF OPERATION

In general, our sales of products are based on confirmed purchase orders.

We have master supply agreements with several customers for the supply of our security seals. The agreements set out the general terms and conditions with validity periods, and there is no obligation for the customers to place orders. Our customers will place orders periodically or on an ad-hoc basis which serve as agreements for the purchase of products and services.

We offer customers credit terms ranging from 30 days to 120 days. We issue invoices when the goods are delivered and accepted by our customers.

There is no formal product warranty for our in-house designed and manufactured products. However, as a gesture of goodwill towards our customers, we will either provide a replacement or offer a discount in terms of credit note if the products are found to be off-spec or defective.

As for the sales of products that are externally sourced, product warranty is provided by some manufacturers or suppliers.

7. BUSINESS OVERVIEW

7.5 OUR COMPETITIVE STRENGTHS

7.5.1 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

We have an established track record in the security seal industry since 1996 when our Promoters, Dato' Nick Ng and Datuk Adrian Ng started trading security seals in 1996 under Fortris Malaysia.

Our track record demonstrates the quality and acceptance of our products to provide protection to the security and integrity of goods during transportation and storage. Our track record also demonstrates that our products have been widely tested and used under real operational conditions and have stood the test of time to encourage our existing customers to purchase more of our products, and new customers to try our products. As such, our track record provides us with a strong platform to sustain and grow our business domestically as well as in foreign countries.

7.5.2 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

Our in-house designed and manufactured security seals are mainly sold under our brand "Mega Fortris". This branding provides us with the platform to build our brand equity including:

- (i) brand awareness to secure new customers,
- (ii) brand loyalty to keep our existing customers as well as sell them more of our products; and
- (iii) a positive image to provide some assurance of the quality of our branded products.

As at the LPD, we have trademarked our brand "Mega Fortris" in various countries namely, Malaysia, Singapore, China and USA. Please refer to Section 7.22 and Annexure B of this Prospectus for further details on our registered trademarks.

Our security seals marketed under Mega Fortris brand comply with the ISO 17712 standards for three different classes including indicative ("I"), security ("S") and high-security (H) classes. Compliance with ISO 17712 standards requires adherence to specific requirements designed to prevent illegal tampering or unauthorised access to cargo, which include seal strength, seal identification and seal 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.

As at the LPD, we have 33 security seals that meet ISO 17712 standards and are certified and validated by third-party laboratories.

Our branding also moves us away from being perceived as a generic or commodity product where we mainly market and sell our products under "Mega Fortris" brand. This provide us with a key differentiation factor when compared to other brands or products without a brand. In addition, with our brand, we can use indirect distribution channel such as distributors and traders who will resell our products to their respective customers in countries or locations where we are not present or that are underserved. Our branding will support our sales to existing and new customers to sustain and grow our business.

7. BUSINESS OVERVIEW

7.5.3 We have patented products that protect our design and innovation to sustain our competitive advantages

All our in-house manufactured security seals are designed in-house by our technical department. As at the LPD, we have 19 patents and 20 industrial designs registered with various authorities from countries including Malaysia, China, Philippines, Singapore, Chile, Costa Rica, Macao, Taiwan, Korea, USA, UK and others to protect our intellectual properties. Please refer to Section 7.22 and Annexure B of this Prospectus for further details on our registered patents and industrial designs. These intellectual properties protect us against other industry players from copying our products and designs.

While we have no intention to licence out our intellectual properties for third-party manufacturing, we do have this option available should circumstances make intellectual properties licencing a favourable business option for us to pursue.

7.5.4 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

We have a wide range of security seals to meet the diverse needs of customers and end-user industries. For the FYE Under Review, we have approximately 4,797 stock keeping units ("SKU") of which, 4,702 SKUs are designed and manufactured in-house by us while the remaining 95 SKUs are purchased from third-party suppliers for our trading activities.

Our security seals have wide applications as demonstrated by the end-user industries of our customers as follows:

- transportation and logistics;
- F&B and agriculture;
- retail;
- petrochemicals and manufacturing;
- leisure, hospitality and gaming;
- government; and
- other industries including security and cash-in-transit services, public utility and related services, aviation services, financial institutions and insurance, healthcare, medical-related services and pharmaceuticals, packaging products and information technology.

Our wide range of products that can meet a large number of end-user industries will provide us with the platform to sustain and grow our business. In addition, they help us minimise any over dependencies on any one or a small number of end-user industries.

7.5.5 We have wide geographic coverage (including Asia Pacific, Europe, the Americas and the Middle East) to provide us with a large addressable market

For the FYE Under Review, our products are used in approximately 120 countries within the Asia Pacific, Europe, the Americas and the Middle East regions. This presents us with a large addressable market to sustain and grow our business. In addition, our wide geographic coverage minimise against over-dependence on any one or small group of countries. For the FYE Under Review, end-users from the USA and UK contributed between 14.00% and 17.00% of our total revenue. All other end-user countries represented less than 10.00% of our total revenue each for the FYE Under Review.

To support our user industries, we have 12 offices located in Malaysia, the USA, the UK, Denmark, the Netherlands, France, Hungary, Dubai, Hong Kong, Singapore, Australia and New Zealand. Our wide geographic coverage with offices in 12 countries provides us with a competitive advantage to deal directly with end-user customers in or close to their country of operations. Our revenue derived from our direct channel customers accounted for 70.35%, 69.86% and 71.95% of our total revenue for the FYE 2021, FYE 2022 and FYE 2023 respectively. Dealing directly with end-users will enable us to create customer loyalty and better serve their requirements to sustain and grow our business.

7. BUSINESS OVERVIEW

7.5.6 We sell to intermediaries such as distributors and traders to enlarge our market coverage without requiring us to invest in sales resources and infrastructure

We also use indirect distribution channel where we sell our products to intermediaries like distributors and trading companies who will resell our products to their network of customers. It enable us to have a wider market reach for our products to end-users. This include end-users that we are not addressing or end-users in locations where we are not represented or that are underserved. All these are achieved with minimum investment in sales resources and infrastructure like warehousing and logistics.

In addition, our products sold to intermediaries are mainly marketed under our brand “Mega Fortris”. This will allow our intermediaries to utilise our brand equity to sell our products to their customers. Our revenue derived from our indirect channel customers accounted for 29.65%, 30.14% and 28.05% of our total revenue for the FYE 2021, FYE 2022 and FYE 2023 respectively.

7.5.7 We have offices in 12 countries to sustain and grow our business

One of our key strengths is that we have physical offices in 12 countries namely Malaysia, USA, UK, Denmark, Netherlands, France, Hungary, Dubai, Hong Kong, Singapore, Australia and New Zealand. Facilitated by our offices from these 12 countries, our products are sold and used in approximately 120 countries during the FYE Under Review.

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, while revenue from our operations in Malaysia accounted for 21.35%, 20.73% and 24.52% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively. With our spread of offices, we are closer to our customers to market and sell our products to our customers to sustain and grow our business.

7.5.8 Our products are essential products for some end-user industries to ensure the integrity and security of goods during transportation and storage

Our products are considered essential products for some end-user industries to ensure the integrity and security of goods during transportation and storage. For example, it is essential for some goods such as pharmaceutical products to be protected from tampering as tampered pharmaceutical products may lead to ill health or even death due to malicious acts. Others may include prevention of theft or avoidance of payment of duties. The use of security seal is designed to provide various degrees of benefits and criticalness which will serve as the platform for continuing purchases from our existing customers as well as new customers to sustain and grow our business.

7.5.9 We have experienced Executive Directors and Key Senior Management to sustain and grow our business

We have an experienced management team headed by our Group Managing Director cum Group Chief Executive Officer, Datuk Adrian Ng. He is responsible for the formulation of the overall direction and business development strategies of our Group. Our Group Managing Director brings approximately 29 years of experience in the security seal industry. He is supported by our Executive Director, Ng Weng Choi who brings with him approximately 27 years of experience in the security seal industry.

Our key senior management team including:

- (i) Sim Li Huang, our Group CFO, who brings with her 27 years of experience in accounting and finance-related matters;

7. BUSINESS OVERVIEW

- (ii) Jason Francis White, our Group COO, who brings with him more than 24 years of working experience in production and operations of various companies; and
- (iii) Ng Foong Yuon, our Compliance Director who brings with her more than 28 years of working experience including more than 16 years in the security seal industry.

We believe our experienced management team will help to sustain and grow our business. Please refer to Sections 5.2.2 and 5.4.3 of this Prospectus for the profiles of our Executive Directors and Key Senior Management respectively.

7.6 PRINCIPAL BUSINESS ACTIVITIES, PRODUCTS AND SERVICES

7.6.1 Design and Manufacturing of Security Seals

7.6.1.1 Overview

The design and manufacturing segment is our major revenue contributor which accounted for 80.25%, 78.13% and 76.37% of our total revenue for the FYE 2021, FYE 2022 and FYE 2023 respectively.

The security seals that we design and manufacture which include plastic seals, container seals, cable seals and security bags incorporate security features and tamper-evident mechanisms to enhance the integrity and security of our customers' goods during transportation and storage. Our security seals protect the integrity of goods by preventing unauthorised manipulation or alteration (tampering) of the sealed goods, ensuring their authentication and traceability. In addition, our security seals protect the goods by acting as a barrier to prevent loss, theft and unauthorised access to the sealed goods.

All security seals manufactured by us are designed by our in-house technical personnel. The application of our security seals covers a range of end-user industries including transportation and logistics, F&B and agriculture, retail, petrochemicals and manufacturing, leisure, hospitality and gaming, and government. Please refer to Section 7.3.4 for further details on our markets and customer base. The security seals that we manufacture are consumable products, which are effectively used once.

7.6.1.2 Design of security seals

For the FYE Under Review, we have approximately 4,797 SKU of security seals, of which 4,702 SKU are designed and manufactured in-house while the remaining 95 SKU are purchased from third-party suppliers for our trading activities. As at the LPD, we have three technical personnel headed by Chua Yuen Kam, our Head of Design and Development for the design of our security seals.

Our capabilities include end-to-end design of security seals including product conceptualisation, detailed engineering design and specifications, prototyping and testing of prototypes. Our product design covers new products and design enhancement of existing products. Generally, the design of security seals involves the following steps:

(i) Product conceptualisation

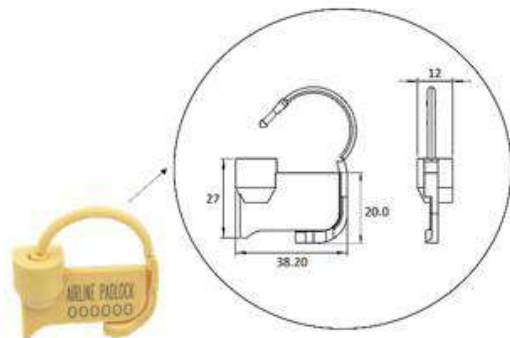
Product conceptualisation involves developing ideas and creating the preliminary design drawings of the security seal for the intended application, security requirement, environmental conditions and other requirements. During production conceptualisation, multiple potential designs may be developed before a suitable design is selected for detailed engineering design.

7. BUSINESS OVERVIEW

(ii) Detailed engineering design and specifications

Once the design is finalised, it will be translated into detailed engineering design and specifications including the specific measurements, tamper-evident mechanism, material specifications, manufacturing techniques as well as product application instructions. The detailed design will be utilised as a blueprint for subsequent product prototyping.

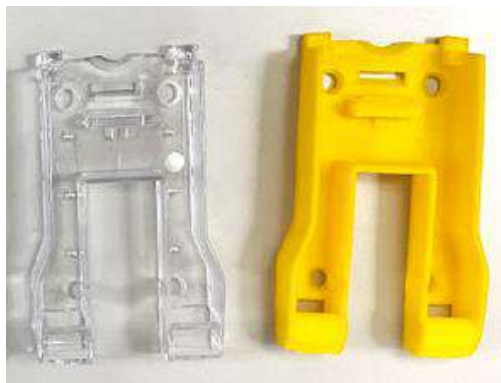
Detailed engineering design and specification of our airline padlock



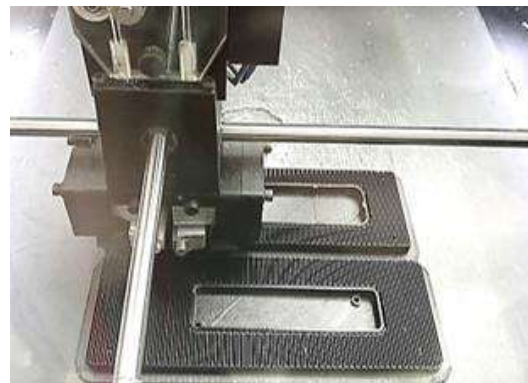
(iii) Prototyping and testing

We utilise 3-dimensional (3D) printing technology to create prototypes of the engineering design and specified security seal. The physical prototypes created enable us to assess the feasibility, functionality, durability and reliability of the design. We also carry out various prototype testing for the evaluation of its tamper resistance, durability, tensile strengths, environmental resistance and flexural strengths as well as its suitability for the intended application. In addition, the prototypes may also be distributed to our customers to obtain feedback which will enable us to improve and enhance the design of the security seal before the commencement of large-scale production. Once all feedback is taken into consideration and amendments are made to the design, the final design will be produced for large-scale production.

3D printed prototype



3D printing of prototype



7. BUSINESS OVERVIEW

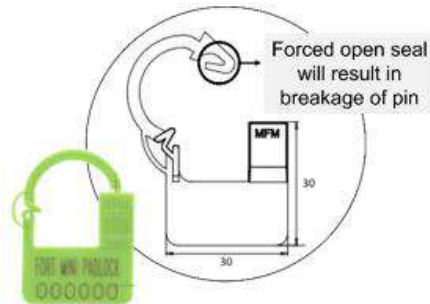
7.6.1.3 Design features and considerations

While the key function of security seals is to enhance the integrity and security of the sealed goods, the design of our security seals takes into consideration various factors to minimise the risk of accidental damage during transportation and storage, which may result in unauthorised access and inaccurate security alerts. Some of the features and factors taken into consideration while designing our security seals include the following:

(i) Tamper-evident mechanism

The tamper-evident mechanism refers to the design that indicates unauthorised access, manipulation or alteration of the sealed goods, thus enhancing the integrity of the goods contained under the security seal. If the sealed goods are tampered with, the security seal will show obvious signs of interference. Our security seals are designed to show signs of interference such as breakage and change in shape, which indicate potential tampering. Some of the designs of tamper-evident mechanisms that we utilise for our security seals include the following:

- (a) **One-way lock mechanism** is designed to allow only one-way entry where once sealed, the closure is irreversible. Any attempts of tampering or manipulation, the lock will leave a visible sign of interference such as damage or breakage. It is designed in a way that makes it impossible to reattach the security seal once the locking mechanism is removed or broken.



- (b) **Acetal locking mechanism** uses inserts made from acetal resins which is a durable plastic material to provide security against tampering by heat and force. Any forced tampering of the acetal locking mechanism will result in breakage.



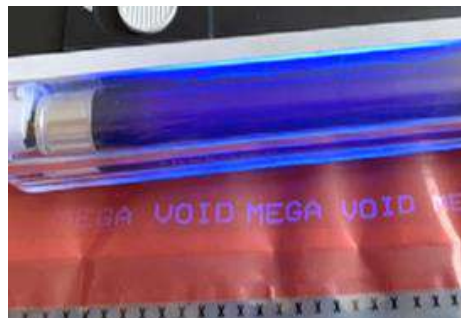
- (c) **Ribbed, wavy or grooved surfaces** are designed on the laser marking area of the security seals to prevent tampering with identifiers. The ribbed, wavy or grooved designs create irregularities on the laser marking area where any attempts of alteration or removal of the laser marked identifier will result in disruption in the rib pattern or the groove, leaving a visible sign of potential tampering.



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- (d) **Invisible UV ink** is generally utilised in security bags for the printing of verification marker such as a specific pattern or identifier which remain invisible under normal lighting conditions. The verification marker is printed using UV ink on the security bags and is not noticeable to third parties, preventing them from replicating it during tampering attempts. Any attempt of alteration or manipulation of the sealed goods will result in disruption in the verification marker, leaving a sign of potential tampering when inspected under UV light.

Verification marker printed using invisible UV ink



- (e) **Non-preformed galvanised steel wires** are used as a tamper-evident mechanism as they will unravel upon cutting, indicating potential tampering.

Unraveling of galvanised steel wire

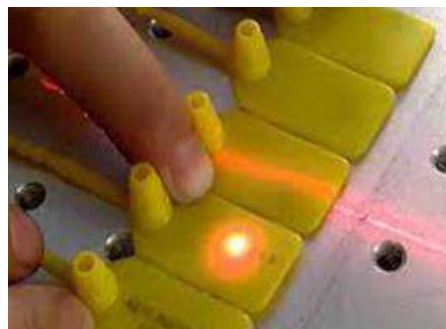


(ii) Traceability

Traceability refers to the ability to track and monitor the movement, status and historical information of the seal such as the origin destination. Security seals attached to the goods provide a traceability feature which allows relevant parties to stay informed about the good's location, handling process and delivery progress ensuring transparency and accountability throughout the supply chain.

The design of our security seals incorporates a traceability feature through laser marking, where the identifier such as name, logo, serial number, barcode and/or QR code is engraved onto the surface of the security seal using a laser marking machine. The laser marking on security seals is based on identifiers provided by our customers.

Laser marking of security seals



Generally, scannable codes including serial numbers, barcodes or QR codes are encoded with information such as product description, manufacturing date, batch number, shelf-life, quality control data and destination details, which are stored in a database and maintained by our customers.

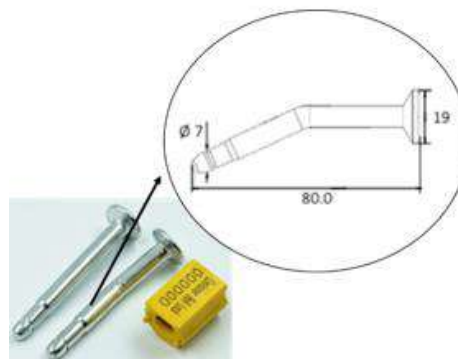
Laser marking also provides integrity to the sealed goods as it creates permanent and irreversible identifiers which cannot be tampered with or altered without any clear sign of interference.

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(iii) Tensile strength and durability

Tensile strength, also known as pull strength, refers to the minimum force required to break the security seal. Some of the factors determining the tensile strength of the security seal include the design such as the thickness of the seal and locking mechanism utilised. For example, our container seal bolt lock is designed with an angled pin to provide higher security as greater strength would be required for forced removal of the seal compared to an ordinary straight pin. In addition, the selection of materials will determine the tensile strength of the security seals, for example, stainless steel has higher pull strength than plastic materials. Our range of security seals have a minimum tensile strength of 0.04kN and up to 9.81kN to cater to various applications and requirements.

Angled pin to provide higher security



(iv) Environmental conditions

Our security seals are used to seal goods during transportation and storage where the process may entail challenging environmental conditions such as extremely high or low temperature and humidity, or exposure to corrosive environments such as flammable fumes, UV rays of the sun, extreme weather conditions, saltwater and sea air. As such, the selection of the materials for our security seals during the design stage is critical to ensure the reliability of the seal under various transportation and storage conditions. We mainly use food grade polypropylene (copolymer and homopolymer), followed by polycarbonate, nylon, low density polyethylene, acetal and general-purpose polystyrene and other plastic resins as well as steel materials for our security seals which can withstand extreme weather conditions of -25°C to 80°C, as well as other environmental factors.

(v) Intended application

The design of our security seals also takes into consideration the intended application. Some applications may require materials or designs with specific characteristics, such as chemical resistance and different design lengths to cater to various applications.

Plastic seals with different length for various application



(vi) Environmental consideration

The design of our security seals also takes into consideration environmental sustainability where all the plastic parts of our security seals, with the exception of acetal resins, contain recycled materials and biodegradable additives.

As at the LPD, our security seal design intellectual properties include 19 patents and 20 industrial designs registered with various authorities. Please refer to Section 7.22 and Annexure B of this Prospectus for further details.

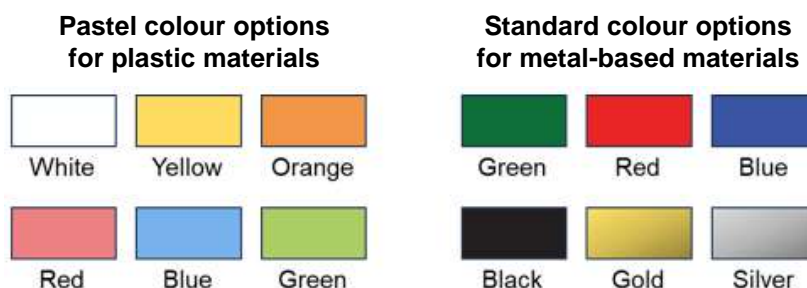
7. BUSINESS OVERVIEW

7.6.1.4 Customisation of security seals

We provide customisation options to our customers where they may request modifications on certain properties or designs of our existing security seal. These modifications are mainly made for ease of identification, marketing purposes or to fulfil environmental considerations. Some of the customisation options for our security seals include the following:

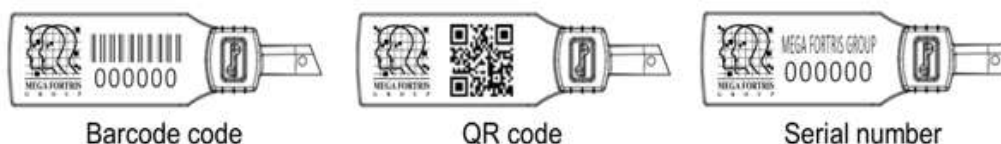
- (i) **Colour customisation** option is available to match the customers' specific branding requirements or to categorise different types of goods. This facilitates the ease of visual identification during the handling of goods.

For security seals made from plastic materials, the colour of the seal can be customised by combining pigments in the plastic resin mixture, which is the input material for the manufacturing of the plastic security seal. For security seals made from metal materials such as aluminium, the colour of the seals is customised using anodisation, an electrochemical process to change the colour of the metal.



- (ii) **Identifier customisation** is available where the customer has the option to include their unique identifier such as QR code, barcode, serial number or logo for ease of identification during goods handling. The design of the identifier will be provided by the customer and we will engrave it onto the surface of security seals using a laser marking machine. Depending on the size of the security seal and the design of the identifier, our security seals can fit serial numbers and barcodes of up to 15 digits.

Our laser marking options



- (iii) **Length customisation** is available for some of our security seals to cater to different customers' requirements.

- (iv) **Additional seal protection** option is available where customers may request for additional transparent cover on some of our container seals to provide further security or protection to the identifier.

Transparent cover



- (v) **Biodegradable** additives provide an enhancement to the properties of the security seals for customers with environmental sustainability preferences. We provide the option for the incorporation of liquid form biodegradable additives to the plastic resin mixture used in our manufacturing of security seals. These biodegradable additives facilitate the decomposition of the seal materials after the disposal of the seal into the ground to minimise their environmental impact to align with customers' environmental sustainability practices.

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- (vi) **UV additives** are optional enhancements to the properties of the security seals to enhance their resistance to UV rays such as sunlight. Generally, plastic resins used for the manufacturing of security seals are susceptible to UV rays. Prolonged exposure to UV rays can lead to degradation and discolouration, potentially compromising the functionality of the security seal. UV additives are commonly incorporated into security seals which are intended for applications exposed to sunlight over a prolonged period. One such example is security seals used for utility meters which are installed in an outdoor environment.

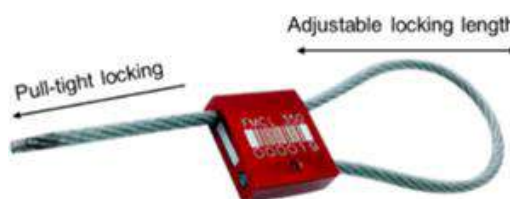
7.6.1.5 Locking mechanisms of our security seals

The locking mechanism that we utilise in our security seals varies depending on the intended application. We will propose the type of security seals with suitable locking mechanisms to our customers based on their requirements. The locking mechanisms used in our security seals include the following:

- (i) **Fixed length locking mechanism** where the security seal is designed with a pre-determined locking length to ensure standardised sealing of goods with a fixed locking length. Locking length indicates the extent to which the seal can be tightened around the goods or container. Our security seals with fixed-length locking mechanisms have locking lengths ranging between 18.4cm and 26.9cm.



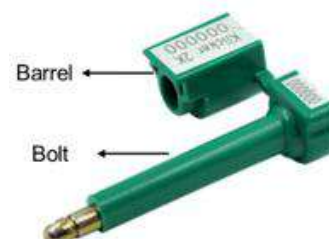
- (ii) **Pull tight locking mechanism** where the security seal is designed with adjustable length to provide flexibility to cater for various applications. It enables the user to adjust the length of the seal based on the size and shape of the goods being sealed to ensure a secure fit regardless of the variation in the dimensions of the sealed goods. The pull-tight locking mechanism allows only a one-direction movement associated with the tightening process, after which any attempt to loosen or remove the locking seal will leave behind visible evidence of tampering.



- (iii) **Padlock locking mechanism** resembles the traditional padlock which consists of a shackle and a locking body which interlocks when fastened. While it shares a similar design with the traditional padlock, the key difference is that once the security seal is fastened, it cannot be undone without breaking the seal.



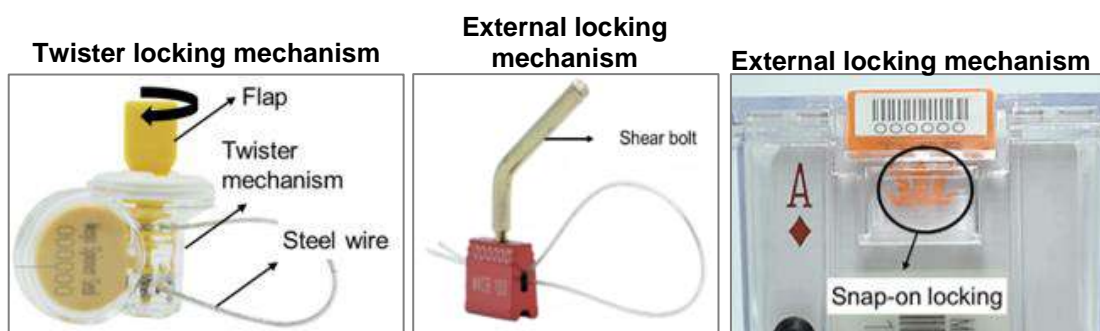
- (iv) **Container bolt seal mechanism** is commonly used for heavy-duty security seals. It consists of a bolt and a barrel where the bolt can be securely fastened into the barrel, ensuring a high-strength closure and is commonly used for shipping containers. Once fastened, specialised tools will be required for the removal of the seal.



- (v) **Twister locking mechanism** where a twist-action is required to securely fasten the seal. During application, the steel wire will be inserted into the locking body of the seal and a twist on the flap will fasten the seal securely. The attempt to untwist the seal will result in visible breakage of the flap.

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- (vi) **External locking mechanism** where the seal consists of a shear bolt that breaks away when the cable is tightly secured in the locking. Securing the seal requires the action of twisting of the shear bolt.
- (vii) **Snap-on locking mechanism** where the security seal is designed with a click to interlock with the corresponding slot where removal of the seal will result in visible breakage. Our security seals with snap-on locking mechanisms feature audio-haptic feedback that will produce a “click” sound to indicate that the seal is securely fastened.



7.6.1.6 Security levels of seals

Security seals can be broadly classified based on their security level namely, high-security, security and indicative level. Each level provides varying degrees of protection against unauthorised access and tampering.

- **High-security level seals** are mainly made of metallic materials where the robust mechanical properties of the seal create a strong barrier against tampering as well as prolonging the time required for tampering with the seal. In addition, any attempt to tamper will result in obvious and reliable signs of unauthorised access, manipulation or alteration as specialised tools are required for the removal of seals under the high-security level.

Given the durability and reliable tamper-evident features, the applications of high-security seals are mainly for valuable or highly regulated goods. These include containers for international shipping and freight forwarding to prevent smuggling, theft and tampering during the logistic process. Additionally, it is also commonly used during the handling of pharmaceutical, defence, hazardous and other regulated goods to ensure the integrity and security of such goods during transportation and storage. Generally, the locking mechanism used for high-security level seals is container bolt seal mechanism.

For the FYE Under Review, we have 24 in-house designed and manufactured high-security level security seals that meet ISO 17712 standards.

- **Security level seals** are made of a combination of metallic and plastic materials, offering a moderate level of protection against tampering. While they provide reliable tamper-evident features, signs of tampering may not be as obvious compared to high-security seals. Inspecting the seal may be required to determine if there has been any potential tampering. Lightweight tools are required for the removal of security level seals.

The application of security seals under this category is mainly for applications where a moderate level of security is required such as general cargo or goods. Generally, the locking mechanism used for security level seals is pull tight locking mechanism.

For the FYE Under Review, we have two in-house designed and manufactured security level security seals that meet ISO 17712 standards.

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- **Indicative level seals** are mainly made of plastic materials to provide a basic level of protection against tampering. The key function of these seals is its tamper-evident feature providing signs of unauthorised manipulation or alteration. Inspecting the seal may be required to determine if there has been any potential tampering. Generally, seals under this category have low tensile strength and the removal of seals can be easily done by applying some force by hand without using any tools.

The application of seals under the indicative level is mainly for goods that are of relatively low value and unregulated goods, or for short distance shipping. In addition, it is also commonly used for utility meters to prevent unauthorised access, ensuring the integrity of the readings. Generally, the locking mechanism used for indicative level security seals include fixed length, pull tight, padlock, twister, external and snap-on locking mechanism.

For the FYE Under Review, we have seven in-house designed and manufactured indicative level security seals that meet ISO 17712 standards.

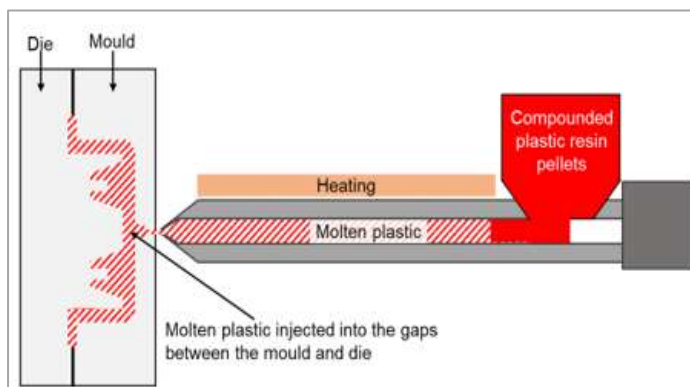
7.6.1.7 Our manufacturing capabilities

Our manufacturing of security seals involves an injection moulding process where the plastic resin mixture is melted into molten form and injected into a mould-die set to create plastic parts with the desired shape. An injection mould consists of two halves, one of which is connected to a movable platen (which is the die) while the other is connected to a stationary platen (which is the mould). The movable die platen is designed to exert high pressure against the mould platen to provide a good seal leaving only the cavity designed for the molten resin mixture to fill to form the desired plastic part. The plastic resin mixture goes through a melting process where the molten plastic mixture is forced into the mould-die set to fill the cavity to form the plastic part. When the molten plastic is cooled, the movable die platen retracts and the solidified plastic part would have been formed.

As at the LPD, our manufacturing facilities in Kota Kemuning, Malaysia are equipped with nine vertical and 30 horizontal injection moulding machines.

The vertical injection moulding machines are characterised by the vertical movement of the platen. We have eight vertical injection moulding machines that require manual operations of the machine where our personnel will feed the plastic resin mixture into the machine and control the operation including the injection of molten plastic as well as the pressing and releasing of the die. Generally, each of the vertical injection moulding machines requires three to five personnel for the operation of the machine.

Our injection moulding machine with mould-die set



Our manual vertical injection moulding machine



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Our vertical injection machines have a clamping force ranging between 160 tonnes and 300 tonnes. The level of clamping force will determine the maximum size and number of parts that can be formed in one pressing. For example, a higher clamping force may be able to produce more parts of the same size within one mould compared to a lower clamping force. If it is for only one plastic part being formed, then a higher clamping force can accommodate a large-sized plastic part compared to a lower clamping force.

The horizontal injection moulding machines are characterised by the horizontal movement of the platen. We have 30 semi-automatic horizontal injection moulding machines where our personnel will feed the plastic resin mixture into the machine while the other operations of the machine including the injection of molten plastic as well as the pressing and releasing of the die are pre-programmed onto the machine for automation. Generally, only one personnel is required for the operation of two horizontal injection moulding machines. Our horizontal injection machines have a clamping force ranging between 100 tonnes and 400 tonnes.

Our horizontal injection moulding machine



In addition, as at the LPD, we have one fully-automated vertical injection moulding machine where the operation of the machine from the feeding of plastic resin mixture, injection of molten plastic as well as the pressing and releasing of the die are pre-programmed onto the machine for automation.

Our fully-automated vertical injection moulding machine



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7.6.1.8 Our supporting facilities

Mould tooling facilities

We have the facilities to carry out the fabrication of moulds, also referred to as mould tooling. Generally, we purchase mould base from our suppliers and engage external parties for the general fabrication of the mould base. Once the general fabrication of the mould is completed, the intellectual properties design components of the mould will be fabricated in-house at our mould tooling facilities. This enables us to have better protection on the design of our security seals.

We also have supporting facilities to carry out in-house repair and maintenance of moulds. The tolerance of moulds and dies often runs after prolonged usage due to wear and tear. As such, we carry out regular dimension testing of the injected parts to ensure they are produced to the specified tolerance. The specified tolerance for most of the moulds is 0.05mm.

We have technical personnel capable of designing the moulds using SolidWorks, which is a 3D computer-aided-design software that enables us to produce the design of the moulds for our security seals. The computer-aided-design is then loaded onto our computer numerically controlled machine to automatically produce the required shaped mould.

Our in-house tooling facilities also enable us to carry out continuous improvement of the efficiency and quality of output of our manufacturing operations as we are able to improve the design of the moulds when required.

Our mould tooling facilities



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Mixing and material handling facilities

One of the key input materials for the manufacture of our plastic security seals is plastic resin. We have an in-house mixing and material handling facility to prepare plastic resin mixtures for our manufacturing operations.

We source plastic resin, masterbatch and other additives such as biodegradable and UV additives which we then mix in their specified proportion based on the properties required for the security seal in our mixing and material handling facility. Masterbatch is a compounded form of pre-mixed pigments to provide colour to the plastic parts, it may also include some other additives such as calcium carbonate to be used as fillers and/or for the provision of white colour and to increase brightness intensity. Additives are substances that can be used to alter the properties of the plastic so that specific performance characteristics can be achieved. For example, biodegradable additives can be used to provide biodegradable properties to the plastic part.

Our mixing and material handling facilities for compounding of plastic resins



Laser marking facilities

We have laser marking facilities which enable us to provide customised laser marking of security seals based on customers' requirements. Our laser marking includes marking barcodes, QR codes, serial numbers and logos onto plastic parts of our security seals.

As at the LPD, we have a total of 28 laser marking machine to support our manufacturing operations in Malaysia. In addition, we collectively have nine laser marking machines at four of our offices in UK, France, Hungary and USA. Our foreign offices usually hold some common stocks of unmarked security seals to meet deliveries promptly. As such, they would require laser marking facilities to customise the security seals according to customers' specifications.

Our laser marking facilities



Security bag manufacturing facilities

Our security seal products also include security bags. As at the LPD, we have three security bag conversion machines and one security bag printing machine for the production of our security bags as at the LPD. The processes for our security bags include converting the security bag from plastic films, printing designs provided by the customer and cutting of plastic sheets to obtain the desired size including A3, A4 and A5 and other dimensions. Invisible UV ink can also be used for printing security bags in our facility.

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We buy plain plastic films in roll form from third-party suppliers for our security bag-making process. Manufacturing of plastic sheets is a specialised process requiring investments in machines and equipment. Based on our current volume usage and requirement, it is not economically viable for us to carry out in-house manufacturing of plastic sheets.

7.6.1.9 Our security seals

Our security seals are mainly made of polypropylene (copolymer and homopolymer), followed by polycarbonate, nylon, low density polyethylene, acetal and general-purpose polystyrene and other plastic resins as well as metallic materials including steel and aluminium. They are either fully plastic, plastic with metal parts or fully metallic. All the design and manufacturing of our security seals are carried out in-house at our production facility at the No. 29 Property, except for traded items which are purchased from third-party suppliers. In addition, we also purchase metal parts and some of the plastic parts for the manufacturing of our security seals. Our security seals can be broadly classified into four categories as indicated below:

(i) Plastic seals

Plastic seals are security seals mainly made of plastic materials. They are generally lightweight and convenient to use, and at the same time provide tamper-evident features with indicative level of security. For the FYE Under Review, we have 113 products under the plastic seal category with minimum tensile strength of 0.04kN and up to 0.74kN. Our in-house designed and manufactured plastic seals are mainly marketed and sold under our brand "Mega Fortris".

Our plastic seals are available in various designs and the locking mechanisms used for our plastic seals include the following:

- Fixed length;
- Pull-tight;
- Padlock;
- Twister; and
- Snap-on locking.

Some examples of our plastic seals with fixed-length locking mechanisms are as follows:



Airline Padlock (indicative level)



Fort Domino SP (indicative level)



Mega Arrow Seal (indicative level)



Simulock New Version (indicative level)



Simulock (indicative level)

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Some examples of our plastic seals with pull-tight locking mechanism are as following:



Dragon Seal (indicative level)



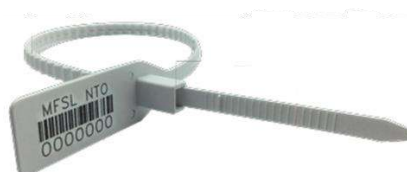
Mini Tight Seal (indicative level)



KeeSeal (indicative level)



Fort Double Twin Lock (indicative level)



Mini Fort Single Lock (indicative level)



SP Cash Bag Seal (indicative level)

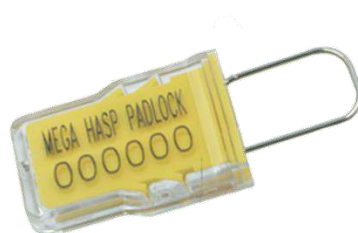
Some examples of our plastic seals with padlock locking mechanisms are as follows:



Airline Padlock (indicative level)



Fort Mini Padlock (indicative level)



Mega Hasp Padlock (indicative level)



Mega Padlock (indicative level)

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Some examples of our plastic seals with twister locking mechanism are as follows:



Mega Spinner (indicative level)



Mega Twister Barcode Horizontal (indicative level)



Mega Twister Click (indicative level)



Mega Twister (indicative level)



Mega Twister Barcode Vertical (indicative level)



Mega Twister SP (indicative level)

Some examples of our plastic seals with snap-on locking mechanisms are as follows:



Clip Box Seal (indicative level)



Triple Lock Casino Seal (indicative level)



Mega Tebco Chamber Seal (indicative level)

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Our plastic seals also include security box which is a rigid plastic box for storage of playing cards as follows:



Mega Casino Box

(ii) Container seals

Container seals are security seals made of plastic and metallic materials. They are designed for heavy-duty applications with tamper-evident features and have a high-security level. Container seals are commonly used to seal cargo containers for international shipping and freight forwarding. For the FYE Under Review, we have 24 container seals with minimum tensile strength of 0.54kN and up to 0.98kN. Our in-house designed and manufactured container seals are mainly marketed and sold under our brand "Mega Fortris".

Our container seals are available in various designs that use the container bolt seal mechanism. It consists of a bolt and a barrel which are moulded together for ease of handling. During application, the bolt and barrel are detached and then securely fastened together for high-strength closure.

Some examples of our container seals are as follows:



Flexi Klick (high-security level)



Fort Container Seal (high-security level)



Klicker 2K (high-security level)



Container Bolt Lock (high-security level)

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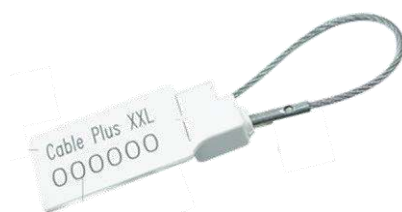
(iii) Cable seals

Cable seals are security seals which comprise galvanised steel wire to provide tamper-evident features and comprise various designs to provide indicative, security and high-security levels. For the FYE Under Review, we have 28 cable seals with minimum tensile strength of 0.74kN and up to 9.81kN. Our in-house designed and manufactured cable seals are mainly marketed and sold under our brand “Mega Fortris”.

Our cable seals are available in various design and the locking mechanism for our cable seals include the following:

- Fixed length; and
- Pull-tight.

Some examples of our cable seals with fixed-length locking mechanisms are as follows:

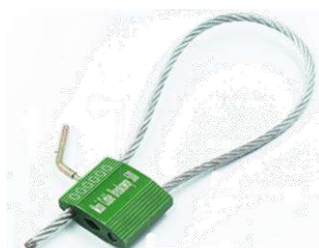


Cable Plus XXL (indicative level)



Carrier Cable Seal (high-security level)

Some examples of our cable seals with pull-tight locking mechanisms are as follows:



Maxi Cable Breakaway 500 (high-security level)



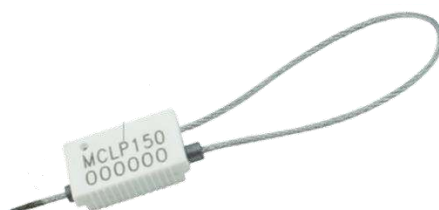
Fort Medium Cable Lock (security level)



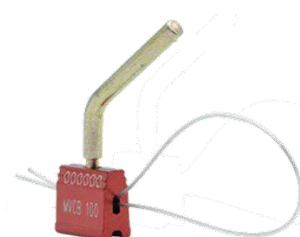
Maxi Cable Lock Zinc 500 (high-security level)



Medium Cable Lock Zinc 350 (high-security level)



Mine Cable Lock Premium 150 (indicative level)



Meter Valve Cable Breakaway (indicative level)

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(iv) Security bags

Security bags are used to contain goods for security purposes and to ensure the integrity of the sealed goods during transportation and storage. Strong self-adhesive strips are designed at the closure of the security bags and once the bag is sealed, any attempt to re-open the bag will result in visible signs of potential tampering. Our security bags are available in various sizes including A3, A4, A5 and other dimensions.

Some examples of our security bags are as follows:



Generic Security Temper-Evident Bag
(indicative level)



International Civil Aviation Organisation
Security Temper-Evident Bag (indicative
level)



Breathable Security Temper-Evident
Bag (indicative level)

7.6.2 Trading and related services

Our trading and related services segment accounted for 19.75%, 21.87% and 23.63% of our total revenue for the FYE 2021, FYE 2022 and FYE 2023 respectively.

We are involved in the trading of related products including load securement and other related products and services to complement our design and manufacturing of security seals operations. Activities under the trading segment mainly involve buying these related products in bulk and reselling them in smaller quantities without any processing. The products sold under our trading segment are sold under third-party brands or without brands.

(a) Load securement products

Load securement products are used to safely secure cargo and loads during transportation to prevent shifting and damage to the cargo. Transportation vessels that may require load securement products include ships, trains, planes and trucks. The type of load securement products that we have been supplying include dunnage bags, polyester cord strapping and lashing systems.

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(b) Other related products and services

Other tamper-evident products that we have been supplying comprise security tapes, tamper-evident labels, tamper-evident boxes and other 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. This will enable our customers to track and monitor the movement, status and historical information of the security boxes throughout the supply chain. We source the system from our supplier which is the developer and owner of the said system.

7.7 OPERATIONAL FACILITIES

The location of our operational facilities as at the LPD are as follows:

Company	Main Functions	Principal place of business / Country of incorporation
Mega Fortris	Group head office, manufacturing and storage facilities ⁽¹⁾	Shah Alam, Selangor, Malaysia
Mega Fortris (Singapore)	Operational office ⁽¹⁾	Woodlands, Singapore, Singapore
Mega Fortris New Zealand	Operational office, and storage facility ⁽¹⁾	Takanini, Auckland, New Zealand
Mega Fortris Australia	Operational office, and storage facility ⁽¹⁾	Mona Vale, New South Wales, Australia
Mega Fortris (Europe)	Operational office, and storage facility ⁽¹⁾	Hørsholm, Hovedstaden, Denmark
Mega Fortris Load Secure Nordic	Operational office	Hørsholm, Hovedstaden, Denmark
Mega Fortris (UK)	Operational office, and storage facility ⁽¹⁾	Burntwood, Staffordshire, United Kingdom
Mega Fortris HU	Operational office, and storage facility ⁽¹⁾	Fehérvári, Budapest, Hungary
Mega Fortris France	Operational office, and storage facility ⁽¹⁾	Fretin, Nord, France
Mega Fortris ME	Operational office, and storage facility ⁽¹⁾	Dubai Silicon Oasis, Nadd Hessa, United Arab Emirates
Mega Fortris BNL	Operational office	Rijnsburg, South Holland, The Netherlands
Mega Fortris Americas	Operational office, and storage facility ⁽¹⁾	South Brunswick, New Jersey, United States of America
Mega Fortris (HK)	Storage facility ⁽¹⁾	New Territories, Hong Kong, China

Note:

(1) Storage facility with storage space for at least one palette of security seals.

7. BUSINESS OVERVIEW

7.8 MACHINERY AND EQUIPMENT

Our main machinery and equipment for our manufacturing operation as at 30 June 2023 are as follows:

Major tools, machinery and equipment	Function	Quantity	Net book value RM'000	Average useful lifespan ⁽¹⁾
Injection moulding machine	To shape the main body of the security seal by injecting molten plastic into moulds	38	1,919	5 years
Ultrasonic welding machine	To join various components of the security seal using high-frequency ultrasonic waves	16	3	5 years
Laser marking machine	To add unique identification marks to the security seal	26	245	5 years
Cable cutting machine	To cut steel cable to the desired length	7	238	6 years
Security bags printing machine	To print customised design and information on security bags	1	*(2)	5 years
Security bags conversion machine	To convert plastic films into security bags	3	258	5 years
Semi-automated assembly machine – container seal	Semi-autonomous assembly of the components of container seals	2	10	5 years
Semi-automated assembly machine – plastic seal	Semi-autonomous assembly the components of plastic seals	1	29	5 years
Fully-automated manufacturing line – container seal	Semi-autonomous production of container seals	1	2,362	10 years
Moulds	To shape and form the plastic material into the desired security seal design	256	1,956	5 years
Vertical computer numerical control machine	Precision machining of tools, dies, moulds and jigging	3	154	5 years
Surface grinding machine	Precision grinding of moulds and dies	1	104	5 years
Thermal discharge machine	Precision forming of moulds	3	6	5 years
Conventional milling machine	General machining and jigging works	3	* (2)	5 years
Lathe machine	General turning and machining	1	* (2)	5 years
Total			7,284	

Notes:

- (1) The average useful lifespan of the machinery and equipment is based on the accounting policy adopted.
- (2) Less than RM1,000.

7. BUSINESS OVERVIEW

7.9 PRODUCTION OUTPUT AND CAPACITY

We manufacture security seals at our production facility. The parameters used to calculate capacity, output and utilisation rates are as follows:

- (i) capacity is calculated based on machine design capacity:
 - (a) operating 24 hours per day for 6 days a week;
 - (b) less public holidays (15 days); and
 - (c) less 10% for changing of mould and downtime for repair and maintenance;
- (ii) output is based on pieces of plastic seals, container seals, main body of cable seals or security bags; and
- (iii) utilisation rate is calculated by dividing the output by the capacity.

Our production capacity, output and utilisation rate for our production facilities in Kota Kemuning, Malaysia for FYE 2021, FYE 2022 and FYE 2023 are as below:

	FYE 2021	FYE 2022	FYE 2023
Plastic seals, container seals and cable seals			
Production capacity ⁽¹⁾ ('000 pieces)	538,807	538,807	538,807
Production output ('000 pieces)	385,665	407,393	418,409
Utilisation rate	72%	76%	78%
Security bags			
Production capacity ('000 pieces)	19,310	19,310	19,310
Production output ('000 pieces)	6,329	8,345	5,493
Utilisation rate	33%	43%	28%

Note:

- (1) Based on eight vertical and 30 horizontal injection moulding machines for FYE 2021, FYE 2022 and FYE 2023.

In November 2023, we have commenced the use of an additional vertical injection moulding machines which is fully-automated where the operation of the machine from the feeding of plastic resin mixture, injection of molten plastic as well as the pressing and releasing of the die are pre-programmed onto the machine for automation.

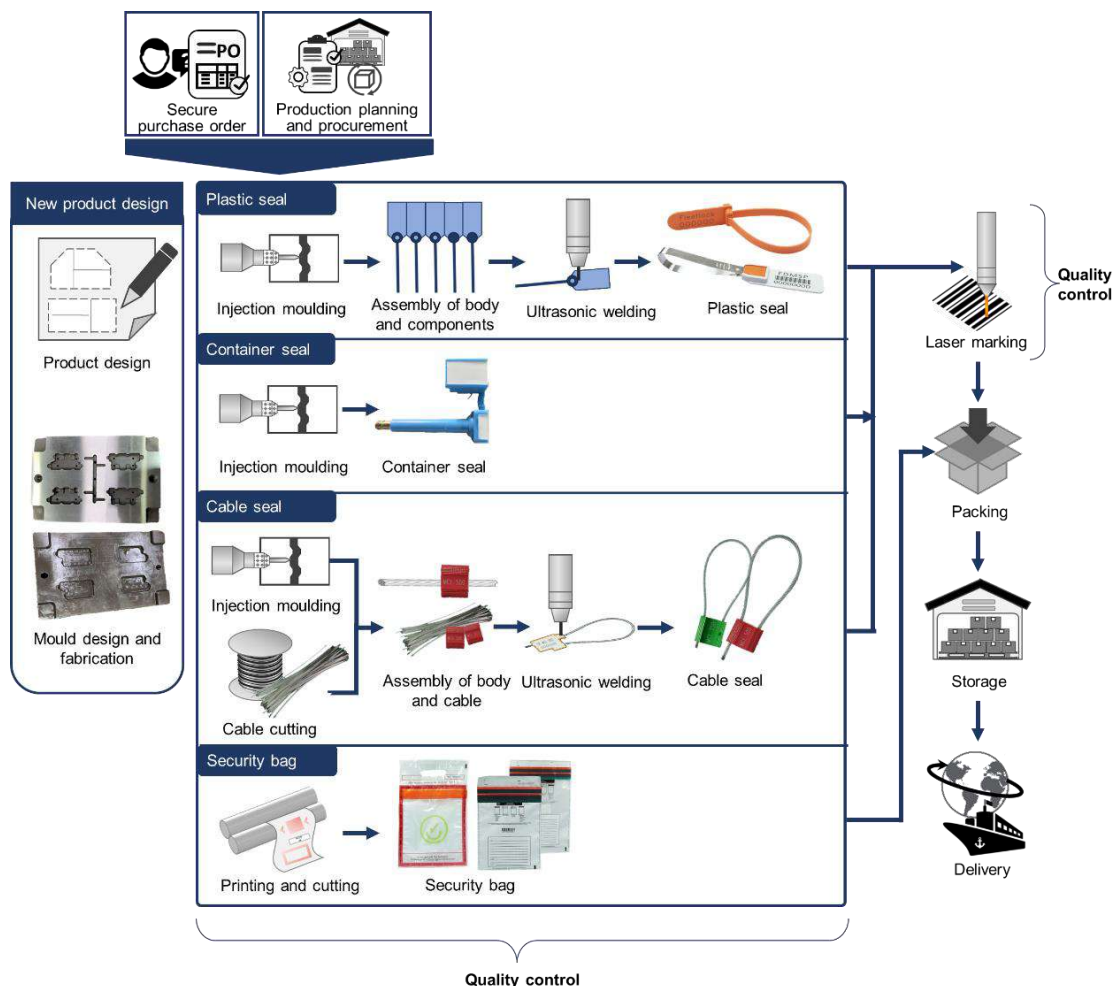
As at 30 June 2023, our annual production capacity is approximately 530 million pieces and increased to approximately 540 million pieces as at LPD following the use of a fully automated production line from November 2023.

7. BUSINESS OVERVIEW

7.10 PROCESS FLOW

7.10.1 Design and manufacturing

The general process flow for the design and manufacture of our plastic seals, container seals, cable seals and security bags is as follows:



New product design

Our design and development department will carry out new product design or enhance existing products. This includes product conceptualisation, defining the product's features, specifications and requirements, as well as creating engineering drawings, specifications and prototypes.

Our security seals' prototypes are built using 3D printing technology and undergo testing to ensure they meet product specifications and our customer requirements. We will assess the functionality and performance of the prototypes, along with the manufacturability, testability and product design feasibility. In addition, some of the prototypes will be sent to our customers to obtain their feedback. Based on testing results and feedback from our customers, adjustments and refinements will be made to the product design. This often involves multiple iterations of redesign and prototyping to achieve the desired product specifications and quality.

After the product successfully passes these evaluations, moulds and dies for the new product design will be designed and fabricated. We source mould bases from our supplier, while the modification of the mould to suit our specific mould design are conducted in-house at our mould tooling facilities. As for dies, they may be fabricated in-house or outsourced to external party depending on the type of dies.

7. BUSINESS OVERVIEW

Secure purchase order

Our operation process typically begins with customer enquiries, where potential customers will specify the security seals required and request for quotations. In some cases, our potential customers may have specific requirements that require a new product design.

We will provide a quotation based on the type and quantity of security seals required by customers. After reviewing and acceptance of the quotation, customers will issue a purchase order for us to fulfil. Generally, the information stipulated in the purchase order includes product type, specifications, quantity, pricing, delivery location and date, as well as payment terms. In addition, we have master supply agreements which set out the general terms and conditions with validity periods with several customers for the supply of our security seals. Please refer to Section 7.4 of this Prospectus for further information.

Generally, our sales are based on purchase order as and when required by the customers. With some of our customers, they provide us with an estimated order quantity forecast which indicate the volume and type of products required for a specific period. This will provide us with sufficient time to plan our production and delivery schedule. However, rolling forecasts are not contractually binding and merely provide an indication of future purchase patterns to assist in our production planning.

Production planning and procurement

With the purchase order in hand, we will carry out production planning which takes into consideration factors such as the existing level of inventory of our finished goods, availability of raw materials and delivery schedule to ensure that we can fulfil our customers' orders promptly. If required, we will place orders with our suppliers for input materials after taking into consideration the existing inventory of raw materials.

Our input materials are sourced from both domestic and foreign suppliers. Typically, deliveries from domestic suppliers would take approximately five to seven days, while deliveries from foreign suppliers would take approximately four to six weeks.

All input materials received will undergo Acceptable Quality Limit sampling process which include weighing, physical inspection, dimensional inspection, functional testing, quantity verification and labelling. In addition, sample of certain input materials such as wire cable will be collected and sent to an external laboratory for testing and analysis to evaluate their suitability for the intended applications. The Acceptable Quality Limit samples will also be stored for future reference as part of our ISO 9001:2015 standard operating procedure. Subsequently, the inspected input materials are stored in our warehouse and used on a first-in-first-out basis.

Injection moulding

The manufacturing process for our plastic seals and container seals involves injection moulding to create the main body of the seal. For cable seal that incorporate plastic and metallic components, injection moulding is also employed where the metal parts are moulded with the plastic material.

Before the injection moulding process, our mixing and material handling department will prepare the selected plastic material by drying the plastic resin to remove moisture and blending the plastic resin with masterbatch and additives. All the input materials are compounded as in mixed, to become a homogenous powder.

The plastic resin mixture is fed into the hopper of the injection moulding machine to be melted into a molten state. The molten compounded plastic is then injected into a mould cavity. As it cools, the molten compounded plastic solidifies and takes on the desired shape of the plastic part. Each security seal is visually inspected for any visible defects, irregularities or physical damage, including checks for cracks, deformities or inconsistencies.

7. BUSINESS OVERVIEW

Cable cutting

For cable seals, the steel cable in coil form is cut to the desired length based on product or customer specifications. Once the cable is cut, it is fitted with end fittings or loops to anchor the cable within the seal.

Assembly and ultrasonic welding

Depending on the design of the plastic seal, the main body may be assembled with various components such as the metal locking mechanism, jaws and locking pins. The assembled plastic and metal components will then undergo an ultrasonic welding process to securely join them together. Ultrasonic welding relies on an ultrasonic transducer to generate high-frequency mechanical vibrations that generate heat to soften and melt the plastic at the contact surface with the metal to create a strong bond between the plastic and metal parts.

For cable seals, the cut cable is threaded through the body of the cable seal and engaged with the locking mechanism to create a secure loop when the seal is closed. In some applications, additional components are welded as part of the assembly, and this allows colour variations to be used for each individual component in the assembly.

Quality control

During and after each manufacturing process, the security seals are visually inspected for any visible defects, irregularities or physical damage, including checks for cracks, deformities or inconsistencies. After the completion of the manufacturing process, samples of the security seals from each batch will be inspected and tested for their specifications, performance and quality by our quality assurance department to ensure that our security seals meet industry standards and customer specifications. Among others, tests on tensile strength, durability and tamper resistance are carried out.

Any security seals that do not meet the specified quality standards are excluded from the approved ones. These nonconforming seals are either reworked or disposed of, depending on the nature of the defects. Based on our ISO 9001:2015 standard operating procedure, we will temporarily suspend the production line that produce the nonconforming output and initiate investigations and corrective measures to rectify the production line.

Laser marking

Security seals that passed the quality control tests will be laser marked according to customer requirements. Laser marking is used to add unique identification marks to each security seal, where common marks include name, logo, barcode, serial number and QR codes that help with tracking and security.

Printing and cutting of security bags

For our security bags, we will configure the required print settings, including the choice of ink, colours and design to be printed on the bags based on customer requirements. The low linear density polyethylene bags will be unrolled and fed into the flexographic printing machine, through to the printing station of the machine. After printing, the bags will pass through a drying station to ensure the ink dries and does not smudge or transfer onto other surfaces. Once the printing is completed, the continuous roll of printed bags is cut into individual bags. During and after printing and cutting, quality control checks are conducted to ensure the printed design aligns correctly on each bag and there are no defects or issues in the printing process.

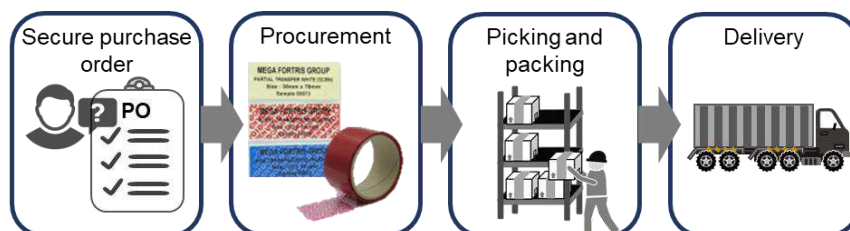
7. BUSINESS OVERVIEW

Packing, storage and delivery

The security seals and bags will be packed and stored in our warehouse before being dispatched to our customers. Generally, the order will be delivered to our customers between three and six weeks from the day of the confirmation of purchase order.

7.10.2 Trading

The general process flow for the trading of load securement and other tamper-evident products is as follows:



Secure purchase order

The initial phase typically begins with customer enquiries and requests for quotations, where they will specify the type and quantity of products they intend to purchase. We will then provide a quotation to the customer.

After reviewing and approving the quotation, customers will issue a purchase order for us to fulfil. Generally, the information stipulated in the purchase order includes product type, quantity, pricing, delivery location and date, as well as payment terms.

Procurement

Upon receiving the PO, our personnel will check on the availability of stocks of the required products in our inventory and place orders with our suppliers, if required.

Picking and packing

On the delivery date, a picking list of order will be generated and our warehouse personnel will pick the items from our inventory based on the picking list. Inspection on the products will also be carried out to ensure there are no defects and pack them into packages to be delivered to the customers' specified destination.

Delivery

Our customers can opt to collect the products from our warehouse or have the products delivered to their address for which a delivery fee will be charged.

Upon the receipt of goods, our customers are required to sign and stamp the delivery note as proof of delivery. The signed delivery note is then returned to us for documentation and record keeping.

7. BUSINESS OVERVIEW

7.11 RESEARCH AND DEVELOPMENT

We do not have a research and development policy. Nevertheless, we carry out research and development activities which focuses on the design and development of new products and to ensure the quality standard of our security seals is maintained. Further, our research and development is an on-going process where we aim to improve product performance and cost-effectiveness taking into consideration the applications of the security seals under various environmental conditions including extreme weather conditions.

For the FYE Under Review, our research and development expenses accounted for 0.69% (RM0.94 million), 0.61% (RM0.95 million) and 0.56% (RM0.90 million) of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively.

The design and development of new products as well as the quality assurance activities of our security seals are carried out in-house in our production plant in Kota Kemuning, Selangor. As at the LPD, we have 19 patents and 20 industrial designs registered with various authorities from countries including, Malaysia, China, Philippines, Singapore, Chile, Costa Rica, Macao, Taiwan, Korea, USA and UK to protect our intellectual properties. Please refer to Section 7.22 and Annexure B of this Prospectus for further details on our registered patents and industrial designs.

For the design and development of new products, we undertake end-to-end design of security seals from product conceptualisation up to the creation and testing of prototypes. The prototypes are built using our 3D printers, after which various tests and analysis are conducted to evaluate their performance in terms of feasibility, functionality, durability and reliability of the design. Some of the key parameters assessed include the tamper resistance, durability, tensile strengths, environmental resistance, flexural strengths, and the suitability for the intended application. In addition, the prototypes may also be distributed to our customers to obtain feedback which will enable us to improve and enhance the design of the security seal before the commencement of large-scale production.

For quality assurance, we perform sample weighing, visual inspection as well as sample testing and analysis upon receiving our input materials to evaluate their composition and suitability for the intended applications. Once the manufacturing process is completed, we will carry out comprehensive testing on the samples of our final products. This covers a wide range of parameters, including material properties, performance and compliance with industry standards to ensure that our security seals meet industry standards and customer specifications.

The following are some of the tests and analyses that we carry out in-house:

No.	Tests	Main objective of the test
(i)	Digital rockwell hardness test	To measure the hardness of the security seal
(ii)	Durability test	To evaluate the durability of the seal under various environmental conditions and to assess the seal's ability to withstand repeated handling and stress without compromising
(iii)	Environmental resistance test	To assess the resistance of the seal environmental factors such as exposure to UV radiation, fluctuation in temperature, humidity and salt spray
(iv)	Impact test	To assess the security seal's ability to withstand sudden shocks or impacts

7. BUSINESS OVERVIEW

No.	Tests	Main objective of the test
(v)	Material strength test	To assess the strength and integrity of the materials and to assess the resistance of the materials to wear and tear overtime
(vi)	Pull test	To measure the tensile strength of the security seal
(vii)	Tamper resistance test	To assess the resistance to common tampering methods such as cutting, heating, freezing and chemical tampering

As at the LPD, our research and development activities are headed by our Group COO, Jason Francis White and the number of personnel in our design and development, and quality assurance departments is as follows:

Department	Number of personnel
Design and development	3
Quality assurance	21
Total	24

7.12 TECHNOLOGIES USED

We do not employ any special technology in our business operations. However, we rely on the manufacturing machinery and equipment to carry out our business operations.

7.13 SEASONALITY

We do not experience any material seasonality in our business as the demand for our products is not subject to seasonal fluctuations.

7.14 INTERRUPTIONS TO OUR BUSINESS AND OPERATIONS

We did not experience any material interruptions to our business during the past 12 months of our operations before the LPD. However, our business operations were interrupted during the COVID-19 period. Please refer to Section 9.1.14 of this Prospectus for further details on our business operations during the COVID-19 period.

7. BUSINESS OVERVIEW

7.15 SALES AND MARKETING ACTIVITIES

Our marketing positioning and activities to address business opportunities, retain existing customers and secure new customers are focused on the following:

- (i) **In-house designed and manufactured security seals:** We position ourselves as a security seal specialist with in-house design and manufacturing capabilities in meeting the needs and requirements of target customers in a number of end-user industries. This includes transportation and logistics, F&B manufacturing and agricultural products, retail, petrochemicals and manufacturing, leisure, hospitality and gaming, government, and other industries.
Our revenue derived from our in-house designed and manufactured security seals accounted for 80.25%, 78.13% and 76.37% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively.
- (ii) **Branding:** We mainly market our in-house designed and manufactured security seals under our “Mega Fortris” brand. We continue to emphasise on building brand equity to create brand awareness, loyalty and positive image through our sales and marketing activities.
- (iii) **Wide market coverage:** We position ourselves as having wide market coverage supported by our manufacturing and sales operations in Malaysia as well as offices in 11 foreign countries.

Our revenue is mainly derived from our 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. Our major countries of operations were USA, UK and Denmark which accounted for 10% or more of our total revenue for at least one of the FYE Under Review. Revenue from our operations in Malaysia accounted for 21.35%, 20.73% and 24.52% of our total revenue FYE 2021, FYE 2022 and FYE 2023 respectively.

- (iv) **Maximise distribution channels:** We adopt both direct and indirect distribution channels to maximise our market coverage to reach out to as many customers and end-users as possible. Through our direct distribution channel, we can obtain feedback on our products from our customers and demonstrate a commitment to customer satisfaction. Our indirect distribution channel uses intermediaries mainly resellers including distributors and traders which will expand our product reach via their respective customer base and networks.

Our revenue derived from direct distribution channel accounted for 70.35%, 69.86% and 71.95% of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively.

- (v) **Marketing exhibitions and events:** We participate in exhibitions to promote our products to potential customers and create brand awareness. For the FYE under Review and up to the LPD, we participated in the following exhibitions and events:

Date	Exhibitions and event	Location	Organiser
May 2023	CCI of Tajikistan Exhibition	Dushanbe, Tajikistan	Chamber of Commerce and Industry of Tajikistan
November 2022	Asian Gaming Power 50	Manila, Philippines	Inside Asian Gaming
September 2022	The Ulaanbaatar Partnership 2022 International Trade Fair	Mongolia	Mongolia Ministry of Food, Agriculture and Light Industry

7. BUSINESS OVERVIEW

<u>Date</u>	<u>Exhibitions and event</u>	<u>Location</u>	<u>Organiser</u>
August 2022	Global Gaming Expo	Singapore	Relx Inc.
September 2021	Malaysian Business Council Connects Fair	Dutch Virtual	Malaysian Dutch Business Council

As at the LPD, we have a total of 34 sales and marketing personnel covering our Malaysia and foreign operations.

7.16 TYPES, SOURCES AND AVAILABILITY OF INPUT MATERIALS AND SERVICES**7.16.1 Our input materials and services**

The types of materials that we purchased for the FYE Under Review are set out below:

	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Malaysia operations	39,109	66.91	42,825	62.97	32,086	56.29
Input materials for manufacturing operations	36,313	62.13	39,187	57.62	28,028	49.17
- Parts and components ⁽¹⁾	23,965	41.00	24,976	36.73	17,717	31.08
- Plastic resins ⁽²⁾	8,938	15.29	9,479	13.94	6,749	11.84
- Masterbatch and other additives	1,288	2.20	1,410	2.07	1,349	2.37
- Packaging and related materials	1,115	1.91	1,324	1.95	1,285	2.25
- Plastic sheets, tapes and films ⁽³⁾	906	1.55	1,879	2.76	817	1.44
- Other ⁽⁴⁾	101	0.18	119	0.17	111	0.19
Die-casting materials and tooling ⁽⁵⁾	1,356	2.32	1,473	2.17	1,413	2.48
Subcontracted services ⁽⁶⁾	586	1.00	854	1.26	700	1.23
Finished goods for trading operations	854	1.46	1,311	1.92	1,945	3.41
- Other related products and services ⁽⁷⁾	813	1.39	1,238	1.82	1,895	3.32
- Load securement products	41	0.07	73	0.10	50	0.09
Foreign operations	19,339	33.09	25,182	37.03	24,920	43.71
Finished goods and materials for trading operations	19,339	33.09	25,182	37.03	24,920	43.71
- Load securement products	11,527	19.72	16,620	24.44	15,149	26.57
- Other related products and services ⁽⁷⁾	7,812	13.37	8,562	12.59	9,771	17.14
Total purchases	58,448	100.00	68,007	100.00	57,006	100.00

7. BUSINESS OVERVIEW

Notes:

- (1) Include semi-finished materials such as sub-assembled metal casing and parts including metal pins, bolts and bush, metal jaws, metal plates, metal wire ropes and padlock springs. It also includes security seals that are produced by Shaoxing Mega Fortris, our previous subsidiary with a security seal manufacturing facility in China before its cessation of manufacturing operations in April 2022. For FYE 2021 and FYE 2022, the purchase of complete security seals from Shaoxing Mega Fortris was RM11.55 million and RM8.54 million respectively. The company was subsequently deregistered in March 2023.
- (2) Include mainly polypropylene (copolymer and homopolymer), polycarbonate, nylon, low-density polyethylene, acetal, general-purpose polystyrene and others.
- (3) Include plastic sheets, mainly linear low-density polyethylene printing film as well as tapes and tamper-evident film used in the manufacture of security bags.
- (4) Include consumables used in the manufacture of security bags such as reducer, ink, plates and hotmelt glue.
- (5) Include tooling and related materials for the manufacture of moulds and dies.
- (6) Include capping of cable and plastic seals, moulding of plastic seals and anodising of cable seals.
- (7) Include other tamper-evident products comprising security tapes and labels, other related products (such as (i) security boxes and bags, (ii) TITO tickets, and (iii) UV casino scanner), as well as distribution and maintenance of a playing card security box tracking software system.

7. BUSINESS OVERVIEW

7.16.2 Sources of our input materials and services

The breakdown of input materials purchased by source of supply for the FYE Under Review is set out below:

	FYE 2021			FYE 2022			FYE 2023		
	RM '000	Domestic ⁽¹⁾ %	Imported ⁽¹⁾ %	RM '000	Domestic ⁽¹⁾ %	Imported ⁽¹⁾ %	RM '000	Domestic ⁽¹⁾ %	Imported ⁽¹⁾ %
Malaysia operations	39,109	39.59	60.41	42,825	42.66	57.34	32,086	45.63	54.37
Input materials for manufacturing operations	36,313	35.65	64.35	39,187	38.55	61.45	28,028	41.82	58.18
- Parts and components ⁽²⁾	23,965	3.05	96.95	24,976	6.19	93.81	17,717	8.75	91.25
- Plastic resins ⁽³⁾	8,938	100.00	-	9,479	99.81	0.19	6,749	99.94	0.06
- Masterbatch and other additives	1,288	100.00	-	1,410	100.00	-	1,349	100.00	-
- Packaging and related materials	1,115	100.00	-	1,324	99.62	0.38	1,285	100.00	-
- Plastic sheets, tapes and films ⁽⁴⁾	906	86.09	13.91	1,879	66.63	33.37	817	83.35	16.65
- Others ⁽⁵⁾	101	93.07	6.93	119	100.00	-	111	100.00	-
Tooling and related materials for the manufacture of moulds ⁽⁶⁾	1,356	100.00	-	1,473	100.00	-	1,413	97.95	2.05
Subcontracted services ⁽⁷⁾	586	100.00	-	854	100.00	-	700	100.00	-
Finished goods for trading operations	854	69.91	30.09	1,311	63.92	36.08	1,945	42.98	57.02
- Other related products and services ⁽⁸⁾	813	68.76	31.24	1,238	63.89	36.11	1,895	42.06	57.94
- Load securement products	41	92.68	7.32	73	64.38	35.62	50	78.00	22.00

7. BUSINESS OVERVIEW

	FYE 2021			FYE 2022			FYE 2023		
	Domestic ⁽¹⁾	Imported ⁽¹⁾		Domestic ⁽¹⁾	Imported ⁽¹⁾		Domestic ⁽¹⁾	Imported ⁽¹⁾	
	RM '000	%	%	RM '000	%	%	RM '000	%	%
Foreign operations	19,339	26.67	73.33	25,182	25.11	74.89	24,920	20.56	79.44
Finished goods for trading operations	19,339	26.67	73.33	25,182	25.11	74.89	24,920	20.56	79.44
- Load securement products	11,527	12.35	87.65	16,620	10.28	89.72	15,149	8.50	91.50
- Other related products and services ⁽⁸⁾	7,812	23.90	76.10	8,562	26.94	73.06	9,771	19.63	80.37
Total purchases	58,448	35.32	64.68	68,007	36.16	63.84	57,006	34.67	65.33

Notes:

- (1) Domestically sourced refers to input materials sourced from the subsidiaries' respective operational base, while imported refers to input materials sourced from outside their operational base.
- (2) Include semi-finished materials such as sub-assembled metal casing and parts including metal pins, bolts and bush, metal jaws, metal plates, metal wire ropes and padlock springs. For FYE 2021 and FYE 2022, it also includes security seals produced by Shaoxing Mega Fortris, our previous subsidiary with a security seal manufacturing facility in China before its cessation of manufacturing operations in April 2022. For FYE 2021 and FYE 2022, the purchase of complete security seals from Shaoxing Mega Fortris was RM11.55 million and RM8.54 million respectively. The company was subsequently deregistered in March 2023.
- (3) Include mainly polypropylene (copolymer and homopolymer), polycarbonate, nylon, low-density polyethylene, acetal, general-purpose polystyrene and others.
- (4) Include plastic sheets, mainly linear low-density polyethylene printing film as well as tapes and tamper-evident film used in the manufacture of security bags.
- (5) Include consumables used in the manufacture of security bags such as reducer, ink, plates and hotmelt glue.
- (6) Include tooling and related materials for the manufacture of moulds and dies.
- (7) Include capping of cable and plastic seals, moulding of plastic seals and anodising of cable seals.
- (8) Include other tamper-evident products comprising security tapes and labels, other related products (such as (i) security boxes and bags, (ii) TITO tickets, and (iii) UV casino scanner), as well as distribution and maintenance of a playing card security box tracking software system.

7. BUSINESS OVERVIEW

As at the LPD, we have our manufacturing base and sales and technical support offices in Malaysia and 11 offices in foreign countries:

(i) Malaysia operations

Our Malaysia operations purchased the following types of input materials for security seal manufacturing:

- (i) parts and components including semi-finished materials such as sub-assembled metal casing and parts such as metal pins, bolts and bush, metal jaws, metal plates, metal wire ropes and padlock springs. It also includes security seals produced by Shaoxing Mega Fortris; and
- (ii) plastic resins, mainly polypropylene (copolymer and homopolymer) followed by polycarbonate, nylon, low-density polyethylene, acetal and general-purpose polystyrene and others. Plastic resins used in our injection moulding process are globally traded commodities and as such, may be subject to global prices. Our average purchase price of plastic resins grew by approximately 16.26% per tonne in FYE 2022. In FYE 2023, the average purchase price of plastic resins declined by approximately 10.50% per tonne;
- (iii) masterbatch (pigments for colour) and other additives used in our injection moulding process;
- (iv) packaging and related materials;
- (v) plastic sheets, tapes and films used in the manufacture of our security bags;
- (vi) plastic sheets, mainly linear low-density polyethylene printing film as well as tapes and tamper-evident films used in the manufacture of our security bags; and
- (vii) Others mainly include consumables used in the manufacture of security bags such as reducer, ink, plates and hotmelt glue.

We purchased tooling and related materials mainly metal alloy materials, tooling parts and accessories and diesel for the manufacture of moulds and dies used in our injection moulding machines.

We also subcontracted manufacturing services including the capping of cable and plastic seals, moulding of plastic seals and anodising of cable seals to third-parties for us to meet customers' delivery schedule when our production capacity was fully utilised at that time. This collectively accounted for 1.00%, 1.26% and 1.23% of our total purchases of input materials and services for FYE 2021, FYE 2022 and FYE 2023 respectively.

For our trading segment, we sourced our products from third parties. This included tamper-evident products such as tamper-evident labels, security seals including security tapes, tamper-evident boxes and other related products such as security boxes and bags, TITO tickets, and UV casino scanner. We also sourced load securement products including dunnage bags, polyester cord strapping and lashing systems.

7. BUSINESS OVERVIEW

(ii) Foreign operations

Our foreign operations mainly sourced their security seals from our manufacturing operations in Malaysia to sell in their respective and neighbouring countries.

In addition, our foreign operations purchased externally sourced products from third-party suppliers to complement our range of in-house designed and manufactured security seals as part of our product offerings to meet customer needs and requirements.

Types of input materials, mainly finished goods, that are purchased by our foreign operations include:

- (i) load securement products such as dunnage bags, polyester cord strapping and lashing systems; and
- (ii) externally sourced related products and services including security seals, tapes and labels, and other related products such as security boxes and bags, TITO tickets, and UV casino scanner.

7. BUSINESS OVERVIEW

7.17 MAJOR CUSTOMERS

Our Group's top five major customers and their contributions to our revenue for FYE 2021, FYE 2022 and FYE 2023 are as follows:

FYE 2021

Customer name	Principal activities	Location	RM'000	% of total revenue	Length of relationship ⁽¹⁾ (years)	Main products
Brady and its group of companies ("Brady Group") ⁽²⁾	Manufacture and supply of identification solutions and workplace safety products	Belgium, Netherland and Norway	5,847	4.33	10	Security seals
Mega Fortris Philippines Inc ⁽³⁾	Supply of security seals	Philippines	4,857	3.60	17	Security seals
Flink S.A.C ⁽⁴⁾	Supply of security seals	Peru	4,014	2.97	11	Security seals
Interseal S.A. de C.V. ⁽⁵⁾	Supply of security seals	Mexico	3,475	2.57	16	Security seals
Evergreen its group of companies ("Evergreen Group") ⁽⁶⁾	Container transportation and shipping	Taiwan and Australia	3,387	2.51	11	Security seals
Subtotal of top five customers			21,580	15.97		
Total Group's revenue			135,098			

7. BUSINESS OVERVIEW

FYE 2022

Customer name	Principal activities	Location	RM'000	% of total revenue	Length of relationship ⁽¹⁾ (years)	Main products
Flink S.A.C ⁽⁴⁾	Supply of security seals	Peru	5,015	3.23	12	Security seals
Interseal S.A. de C.V. ⁽⁵⁾	Supply of security seals	Mexico	4,781	3.08	17	Security seals
Mega Fortris Philippines Inc ⁽³⁾	Supply of security seals	Philippines	4,479	2.89	18	Security seals
Solved Distribution Solutions (Pty) Ltd ⁽⁷⁾	Supply of security seals	South Africa	3,454	2.23	1	Security seals
Gusber S.A ⁽⁸⁾	Supply of security seals, moisture protection and fruit preservation products	Ecuador	3,204	2.06	12	Security seals
Subtotal of top five customers			20,933	13.49		
Total Group's revenue			155,211			

7. BUSINESS OVERVIEW

FYE 2023

Customer name	Principal activities	Location	RM'000	% of total revenue	Length of relationship ⁽¹⁾ (years)	Main products
Mega Fortris Philippines Inc ⁽³⁾	Supply of security seals	Philippines	7,109	4.41	19	Security seals
Interseal S.A. de C.V. ⁽⁵⁾	Supply of security seals	Mexico	5,514	3.42	18	Security seals
Pernod Ricard and its group of companies ("Pernod Ricard Group") ⁽⁹⁾	Production and sales of spirits and wines	UK, Sweden, Ireland and New Zealand	3,721	2.31	20	Security seals
The TJX Companies and its group of companies ("The TJX Group") ⁽¹⁰⁾	Off-price apparel and home fashion retailer	USA and Canada	3,299	2.05	8	Security seals
Flink S.A.C ⁽⁴⁾	Supply of security seals	Peru	3,243	2.01	13	Security seals
Subtotal of top five customers			22,886	14.20		
Total Group's revenue			161,303			

Notes:

- (1) Length of relationship as at the respective financial years.
- (2) Brady Group includes W.H Brady N.V. (Belgium), Transposafe Systems Holland B.V. (Netherlands) and Brady B.V. (Norway), which are subsidiaries of Brady Corporation listed on the New York Stock Exchange.

7. BUSINESS OVERVIEW

- (3) Mega Fortris Philippines Inc is our Group's third party appointed distributor for the sales of our security seals in Philippines and is authorised to use the name "Mega Fortris" under their distribution agreement with us.
- (4) Flink S.A.C is a private company in Peru.
- (5) Interseal S.A is a private company in Mexico.
- (6) Evergreen Group includes Evergreen Marine Corporation (Taiwan) Ltd listed on the Taiwan Stock Exchange and its subsidiary, Evergreen Shipping Agency (Australia) Pty Ltd (Australia).
- (7) Solved Distribution Solutions (Pty) Ltd is a private company in South Africa.
- (8) Gusber S.A is a private company in Ecuador.
- (9) Pernod Ricard Group includes Chivas Brothers Ltd (UK), Irish Distillers Ltd (Ireland), Pernod Ricard Winemakers New Zealand Ltd (New Zealand) and The Absolut Company AB (Sweden), which are subsidiaries of Pernod Ricard SA listed on Euronext Paris.
- (10) The TJX Group includes The TJX Companies, Inc is listed on the New York Stock Exchange, and its subsidiary, Winners Merchants International L.P. (Canada).

Our business is not dependent on any single customer as there were no customers that contributed more than 10.00% of our total revenue for the FYE Under Review. In addition, we served a large pool of customers where we have approximately 3,400 customers for FYE 2023.

We serve customers involved in transportation and logistics, F&B manufacturing and agricultural products, retail, petrochemicals and manufacturing, leisure, hospitality and gaming, government and other industries, as well as resellers including distributors and traders.

7. BUSINESS OVERVIEW

7.18 MAJOR SUPPLIERS

Our Group's top five major suppliers and our purchases from them for the FYE 2021, FYE 2022 and FYE 2023 are as follows:

FYE 2021

Supplier	Principal activities	Location ⁽¹⁾	RM'000	% of total purchases	Length of relationship ⁽²⁾ (years)	Main input materials
Shaoxing Mega Fortris ⁽³⁾	Manufacturing of security seals	China	11,944	20.44	20	Security seals and parts and components
Shaoxing Shuanglu ⁽⁴⁾	Trading of metal parts and components	China	7,708	13.19	9	Wires, parts and components
OEMSERV and its group of companies ("OEM SERV Group") ⁽⁵⁾	Manufacturing of load securement products	Hong Kong and Netherland	6,174	10.56	12	Load securement products
Vigorus Co Ltd ⁽⁶⁾	Manufacturing of combination lock products	Taiwan	3,578	6.12	3	Parts and components
CL Materials Trading Sdn Bhd ⁽⁷⁾	Trading of plastic raw material and resins	Malaysia	2,125	3.64	11	Plastic resins
Subtotal of top five suppliers			31,529	53.95		
Total Group's purchases			58,448			

7. BUSINESS OVERVIEW

FYE 2022

Supplier	Principal activities	Location ⁽¹⁾	RM'000	% of total purchases	Length of relationship ⁽²⁾ (years)	Main input materials
Shaoxing Mega Fortris ⁽³⁾	Manufacturing of security seals	China	9,530	14.01	21	Security seals and parts and components
Shaoxing Shuanglu ⁽⁴⁾	Trading of metal parts and components	China	9,487	13.95	10	Wires, parts and components
OEM SERV Group ⁽⁵⁾	Manufacturing of load securement products	Hong Kong	6,495	9.55	13	Load securement products
Vigorus Co Ltd ⁽⁶⁾	Manufacturing of combination lock products	Taiwan	3,654	5.37	4	Parts and components
Toling Corporation (M) Sdn Bhd ⁽⁸⁾	Importing, exporting and dealing in plastic raw materials and chemical products	Malaysia	2,508	3.69	21	Plastic resins
Subtotal of top five suppliers			31,674	46.57		
Total Group's purchases			68,007			

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FYE 2023

Supplier	Principal activities	Location ⁽¹⁾	RM'000	% of total purchases	Length of relationship ⁽²⁾ (years)	Main input materials
Shaoxing Zhenfeng ⁽⁹⁾	Trading of metal parts and components	China	14,633	25.72	1	Wires, parts and components
OEM SERV Group ⁽⁵⁾	Manufacturing of load securement products	Hong Kong	7,667	13.45	14	Load securement products
Toling Corporation (M) Sdn Bhd ⁽⁸⁾	Importing, exporting and dealing in plastic raw materials and chemical products	Malaysia	2,162	3.79	22	Plastic resins
CL Materials Trading Sdn Bhd ⁽⁷⁾	Trading of plastic raw material and resins	Malaysia	1,808	3.17	13	Plastic resins
MPS Metal Plastik San. Cember Ve Paketleme Sist. Imaat Ve Tic.A.S. ⁽¹⁰⁾	Manufacturing of strapping materials products	Turkey	1,771	3.11	12	Load securement products
Subtotal of top five suppliers			28,071	49.24		
Total Group's purchases			57,006			

Notes:

- (1) Based on suppliers' addresses stipulated on invoices.
- (2) Length of relationship as at the respective financial years.

7. BUSINESS OVERVIEW

- (3) Shao Xing Mega Fortris, a private company in China, housed our Group's previous security seal manufacturing facility in China before its cessation of manufacturing operations in April 2022. The company was subsequently deregistered in March 2023. For FYE 2021 and FYE 2022, our Group's purchases include the purchase of complete security seals from Shaoxing Mega Fortris that amounted to RM11.55 million and RM8.54 million respectively.
- (4) Shaoxing Shuanglu is a private company in China. We have stopped business dealings with Shaoxing Shuanglu since 2022.
- (5) For FYE 2021, FYE 2022 and FYE 2023, OEMSERV Group include private company namely, OEMSERV Hong Kong Ltd. For FYE 2023, it also includes OEMSERV Europe B.V in the Netherlands.
- (6) Vigorus Co Ltd is a private company in Taiwan.
- (7) CL Materials Trading Sdn Bhd is a private company in Malaysia.
- (8) Toling Corporation (M) Sdn Bhd is a private company in Malaysia.
- (9) Shaoxing Zhenfeng is a private company in China.
- (10) MPS Metal Plastik San. Cember Ve Paketleme Sist. Imalat Ve Tic.A.S is a private company in Turkey.

7. BUSINESS OVERVIEW

The purchases from Shaoxing Shuanglu, a third party company, accounted for 13.19% and 13.95% of our total purchases of input materials and services for FYE 2021 and FYE 2022 respectively. We are not dependent on Shaoxing Shuanglu as we stopped business dealings with Shaoxing Shuanglu since 2022 following the cessation of their business operations.

For FYE 2023, Shaoxing Zhenfeng, one of our major suppliers, accounted for 25.72% of our total purchases of input materials and services. We started to purchase metal parts and components from Shaoxing Zhenfeng in May 2022, after we stopped business dealings with Shaoxing Shuanglu, a former major supplier. Shaoxing Zhenfeng and Shaoxing Shuanglu are not related to each other.

For FYE 2023, we purchased from Shaoxing Zhenfeng various types of metal parts and components (including semi-finished metal assembled components, metal pins, bolts and bush, metal jaws, metal plates, metal wire ropes and padlock springs) used in the manufacture of our security seals. We are not dependent on them as we were able to source similar products from other suppliers. For the FYE Under Review, we sourced similar input materials from seven other suppliers.

In addition, OEM SERV Group is one of our major suppliers for the FYE Under Review and the company is a manufacturer of load securement products. Our purchases from OEM SERV Group accounted for 10.56%, 9.55% and 13.45% of our total purchases for FYE 2021, FYE 2022 and FYE 2023 respectively and the purchase of load securement products were for our trading operation. While our purchases from OEM SERV Group increased from 10.56% in FYE 2021 to 13.45% in FYE 2023, we are not dependent on them as we were able to source similar products from other suppliers. For the FYE Under Review, we were able to source similar products from five other suppliers. Please refer to Section 10.1.1 of this Prospectus for further details on the related party transactions with OEM SERV Group.

We are also not dependent on the other major suppliers as each of them accounted for less than 10.00% of our total purchases for the respective FYE Under Review.

7. BUSINESS OVERVIEW

7.19 OUR BUSINESS STRATEGIES AND PLANS

Moving forward, we will continue with our existing business activities and leverage our core competencies to address new areas of business and opportunities to sustain and grow our business.

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 require us to set up new manufacturing facilities in Malaysia and Macao. Further, our Group does not have any targeted acquisitions as at LPD.

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



7.19.1 Production facility expansion in Malaysia and UK

7.19.1.1 New Production facilities including automated production lines for security seals in Malaysia

As at the LPD, we have one automated production line for our container seals at our existing manufacturing facilities situated at No. 29 Property. In line with the national policy on Industry 4.0, we intend to expand our production facilities in Malaysia by investing in automation to convert five sets of our existing production machinery to five automated production lines. We will also purchase one additional new automated production line. This will enable us to automate certain processes such as metal component insertion process which was previously carried out manually. At this juncture, we do not require additional warehouse facilities after we have installed and commissioned the additional six automated production line. Upon the completion of installation, we will have seven automated production lines for our security seals at our existing manufacturing facilities situated at No.29 Property.

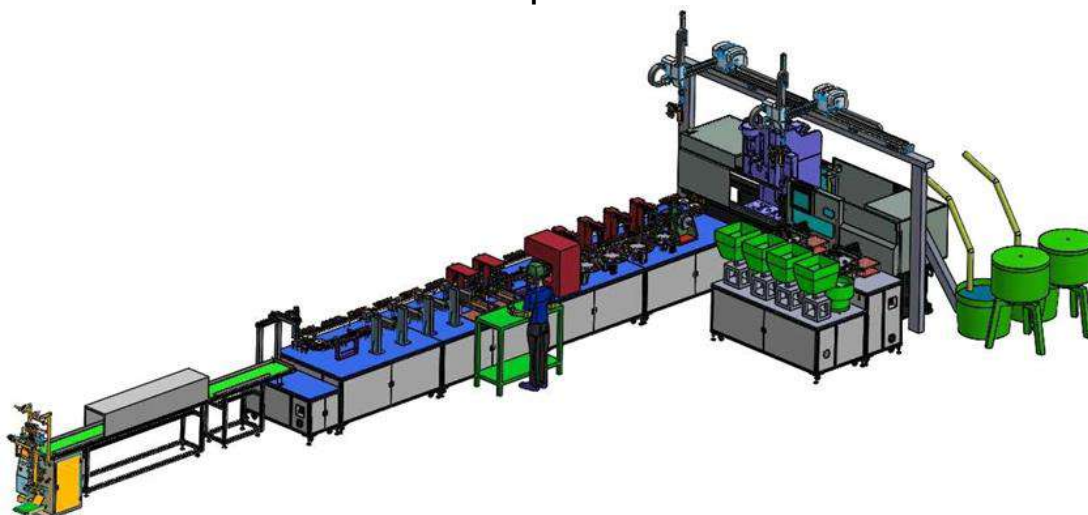
7. BUSINESS OVERVIEW

The production line is designed to facilitate the end-to-end production process for our security seals with the integration of multiple stations into one automated production line comprising the following main stations:

- input material handling and mixing station to provide the compounded plastic resins;
- injection moulding station to form plastic parts;
- auto insertion station to insert metal components for the locking mechanisms for certain designs;
- ultrasonic welding or joining station to secure metal components to plastic parts for certain designs;
- auto laser marking station to etch information such as serial numbers onto plastic parts;
- automated inspection station for real-time quality check and inspection; and
- automated packaging and labelling station.

The main rationale for having automated production lines is to improve consistency in product quality by reducing human intervention in certain processes as part of our quality control strategy. In addition, this will reduce the requirement on human resource as only one personnel is required to operate the entire automated production line. Currently, we have multiple stations to produce a product with each station manned by at least one production worker. Furthermore, the automated production line will require smaller foot-print thus freeing up space for use as storage space, and increase efficiency in material handling.

Automated production line



Our Malaysia HQ team will finalise the purchase of additional machinery and equipment required for the integration of machinery and equipment progressively between 1st quarter of 2024 and 1st quarter of 2025. The new automated production lines will be installed progressively between 1st quarter of 2024 and 2nd quarter of 2025 at our facilities in Malaysia. Meanwhile, the pilot production will commence between 3rd quarter of 2024 and 4th quarter of 2025 based on the completion of installation and integration of the automated line. As at the LPD, we have finalised the purchase of some machinery and equipment including vision inspection machines but has yet to incur any cost for the purchase of the said machinery and equipment.

The total estimated cost for the expansion of our Group's production facilities in Malaysia is RM12.39 million which will be funded through bank borrowings.

7. BUSINESS OVERVIEW

7.19.1.2 New production facilities (including centralised warehouse) with automated production lines for security seals in UK

Part of our strategy is to grow our business in foreign countries by having a manufacturing operation (including a centralised warehouse) to service various regions including Europe, Americas, Middle East and Africa. In this respect, we plan to set up the New UK Factory by leveraging on our strength and experience from our existing manufacturing operations in Malaysia.

The new production facilities in UK will have an annual production capacity of approximately 200 million pieces of security seals comprising plastic seals, cable seals and container seals. Our strategy to expand our production facilities in UK includes investing in the following facilities progressively between 3rd quarter of 2024 and 3rd quarter of 2027:

Machinery and equipment and related facilities	Quantity units/ lines	Estimated costs			
		Total (RM'000)	Phase 1 (RM'000)	Phase 2 (RM'000)	Phase 3 (RM'000)
Machinery and equipment ⁽¹⁾		[•]	[•]	[•]	[•]
Automated production lines and injection machine ⁽²⁾	7	[•]	[•]	[•]	[•]
Cable processing and related machines ⁽³⁾	9	[•]	[•]	[•]	[•]
Laser and related machines ⁽⁴⁾	24	[•]	[•]	[•]	[•]
Coding machines ⁽⁵⁾	3	[•]	[•]	[•]	[•]
Renovation and other facilities		[•]	[•]	[•]	[•]
Material handling and support equipment ⁽⁶⁾	39	[•]	[•]	[•]	[•]
Building requirements ⁽⁷⁾	Note (7)	[•]	[•]	[•]	[•]
Moulds and storage facility	13	[•]	[•]	[•]	[•]
Warehousing facilities ⁽⁸⁾	7	[•]	[•]	[•]	[•]
Quality control equipment ⁽⁹⁾	8	[•]	[•]	[•]	[•]
Handling equipment ⁽¹⁰⁾	3	[•]	[•]	[•]	[•]
Others		[•]	[•]	[•]	[•]
Source of funds		[•]	[•]	[•]	[•]
			IPO proceeds	IPO proceeds	IPO proceeds
Expected timing to start/complete		3 rd quarter 2024/ 3 rd quarter 2027	3 rd quarter 2024/ 1 st quarter 2026	4 th quarter 2025/ 1 st quarter 2027	2 nd quarter 2026/ 3 rd quarter 2027

7. BUSINESS OVERVIEW

Notes:

- (1) Our Malaysia HQ (our Company) will be responsible to identify and purchase the machinery and equipment. These machinery and equipment will be placed at the New UK Factory. The purchase of the said machinery and equipment will be funded through IPO proceeds.
- (2) Include fully automated production lines and automated machines for the manufacturing of security seals including plastic seals, container seals and cable seals and one unit of 600-tonne horizontal injection moulding machine
- (3) Include auto-twisting and cable cutting equipment, auto cable assembly, stamping and laser checking equipment, as well as eccentric press machines.
- (4) Include UV laser machines, industrial personal computers, vision inspection system and automated packing machines.
- (5) Include radio frequency identification automated assembly equipment and coding station, and physical unclonable function based assembly and coding station.
- (6) Include material handling equipment such as mixers and granulators, oven and dryer and support equipment such as cooling system, heat exchangers, water storage system, air dryers and conveyors.
- (7) Include renovation and fit-out works for offices and related staff amenities.
- (8) Include warehouse system and heavy-duty racking, pallet wrapping equipment, forklifts and reach trucks.
- (9) Include tensile testing machines, hardness testing machines, profile projectors, colour photospectrometer, salt spray test machines, impact test machines and related equipment.
- (10) Include overhead cranes and hoist systems.

7. BUSINESS OVERVIEW

The strategy to set up the New UK Factory takes into consideration the following rationale:

- (i) with our production facility in UK, we are close to customers in the European region where we can interact directly with end-user customers to meet their specific requirements, particularly in customising product design and performance, as well as faster turnaround from purchase order to delivery.

Revenue derived from customers located in Europe accounted for 37.84% (RM51.13 million), 35.91% (RM55.73 million) and 33.08% (RM53.35 million) of our total revenue for FYE 2021, FYE 2022 and FYE 2023 respectively.

- (ii) the new production facility in UK is also as part of our brand globalisation to enhance our Company and brand awareness and image in the European region. Our production facility will also be supported by our existing offices in four other countries in the European region. Our combined new production facility and offices will facilitate better access and provide confidence to existing and new customers in the European region.
- (iii) the New UK Factory together with our existing Malaysia manufacturing facilities will enable us to optimise our manufacturing operations to provide shorter lead-time, minimise logistic costs, optimise machine and equipment usage and improve the overall supply chain. In addition, our new production facilities in UK will also serve as a backup for our Malaysia manufacturing facilities.
- (iv) industry observations where the merchandise export and import of Europe grew at a CAGR of 17.5% between 2020 and 2022 (Source: IMR Report). The growing trade in the Europe region will serve as a platform to drive the demand for security seals.

7. BUSINESS OVERVIEW

Our existing facility in UK



Our planned New UK Factory



7. BUSINESS OVERVIEW

The implementation plan for our New UK Factory is set out below:

Timing	Milestone
Phase 1	<p>We intend to set-up a new security seal production facility under our subsidiary, Mega Fortris UK and our operation team in UK under Mega Fortris UK will be working together with our management team from HQ to facilitate the setting up of new production facilities including to obtain relevant permits such as license for the manufacturing operations by 3rd quarter 2024.</p> <p>As at LPD, we are in the midst of finalising the tenancy agreement for the New UK Factory with build-up area of approximately 32,000 sq. ft. at Burntwood Business Park in Staffordshire, UK, which is located opposite our existing operational facility in UK. The New UK Factory will house our new production facilities and storage space and our existing operation in UK. In this respect, we will move to the New UK Factory and cease the rental of the existing premises in UK. We will assist the existing operation team in UK to identify the required workforce for the manufacturing operations.</p> <p>During Phase 1, we will commence the set-up of the New UK Factory and also purchase additional laser marking machines, quality control equipment and related machines to be installed at the New UK Factory. As at LPD, we have two units of laser and related machines to carry out final laser marking process, two cable cutting machines and one stamping machine at our existing operational facility in UK based on customer orders.</p> <p>We plan to allocate RM[●] million to facilitate the setting up of the New UK Factory including renovation work, purchase and installation of related facilities for the factory, and purchase of additional laser marking and related machines and quality control equipment to carry out the final laser marking and inspection processes. The estimated cost of RM[●] million for Phase 1 implementation will be funded through IPO proceeds. Please refer to Section 4.5 of this Prospectus for further details on the utilisation of IPO proceeds.</p>
Phase 2	Our Malaysia HQ will be responsible for identifying the specific machinery and equipment leveraging on our experience from our existing manufacturing capabilities
Phase 3	in Malaysia. In this respect, our Malaysia HQ team will finalise the purchase of the following major machinery and equipment progressively between 4 th quarter of 2025 and 1 st quarter of 2027:

	Type of seals	Timing to place order/ complete installation
(i) Phase 2		
One automated line for fort container seals (<i>FCS</i>)	Container seals	4 th quarter of 2025/ 1 st quarter of 2027
One automated line for fast seal (<i>FS 12</i>)	Plastic seals	4 th quarter of 2025/ 1 st quarter of 2027
Nine cable processing and related machines	Cable seals	4 th quarter of 2025/ 1 st quarter of 2027
(ii) Phase 3		
One automated line for SP cash bag seals (<i>SPCBS</i>)	Plastic seals	2 nd quarter of 2026/ 2 nd quarter of 2027
Two automated line and machine for plastic seals (including fast seal (<i>FS3.5-18</i>) and triple-tight SP seal)	Plastic seals	2 nd quarter of 2026/ 2 nd quarter of 2027
One automated machine for twister (<i>MTW</i>)	Plastic seals	2 nd quarter of 2026/ 2 nd quarter of 2027
1 injection moulding machine	Plastic seals	2 nd quarter of 2026/ 1 st quarter of 2027

7. BUSINESS OVERVIEW

Timing Milestone

The estimated cost for Phase 2 and Phase 3 including the purchase and installation of new machinery and equipment and other facilities is RM[•] million which will be funded through IPO proceeds. Please refer to Section 4.5 of this Prospectus for further details on the utilisation of IPO proceeds.

7.19.1.3 Overall estimated cost for facilities expansion in Malaysia and UK

The total estimated cost for the purchase and installation of additional security seal production facilities in Malaysia and the setting up of new security seal production facilities in UK is RM[•] million, which will be fully funded through IPO proceeds and internally generated funds and/or bank borrowings. The details are set out below:

	Estimated costs RM'000	Source of fund		Expected start and completion
		Borrowings/ internal funds RM'000	IPO Proceeds RM'000	
Malaysia	12,400	12,400	-	
Automated production lines	12,400	12,400	-	1 st quarter of 2024/ 2 nd quarter of 2025
UK	[•]	-	[•]	
Phase 1	[•]	-	[•]	3 rd quarter of 2024/ 1 st quarter of 2026
Phase 2	[•]	-	[•]	4 th quarter of 2025/ 1 st quarter of 2027
Phase 3	[•]	-	[•]	2 nd quarter of 2026 / 1 st quarter of 2027
Total	[•]	12,400	[•]	

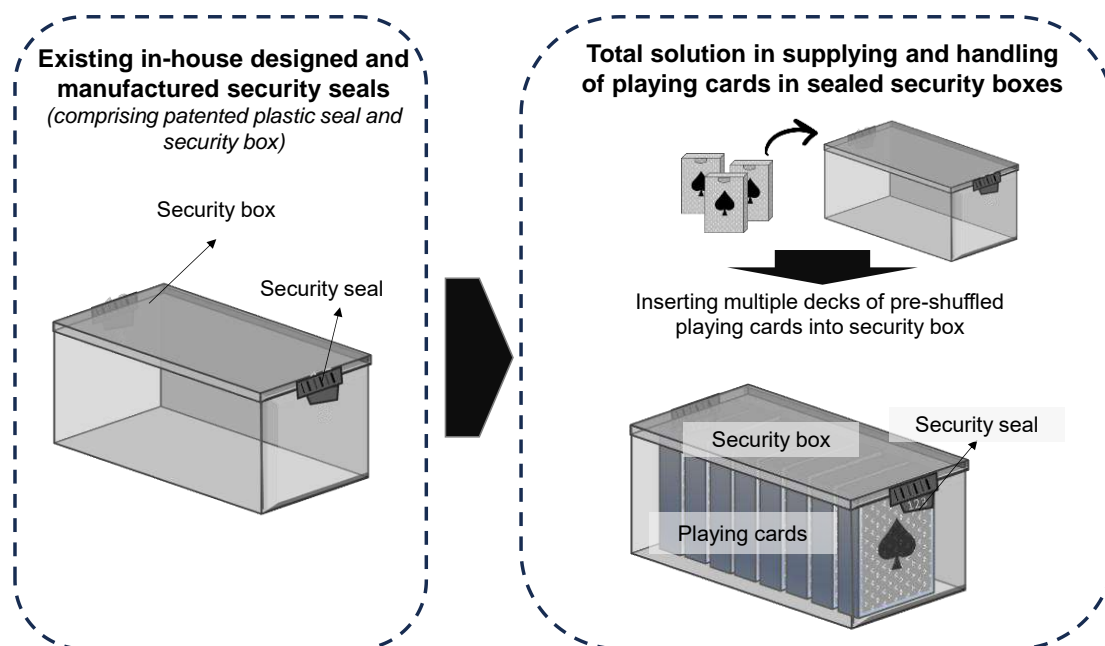
Please refer to Section 4.5 of this Prospectus for further details on the utilisation of IPO proceeds.

7.19.2 New business in providing total solution in supplying and handling of playing cards in sealed security boxes

Part of our strategy is to venture into a new business to provide total solution in supplying and handling of playing cards in sealed security boxes in Malaysia and Macao. This new business venture will be carried out by Mega Pandai. It will incorporate the following key processes:

- manufacturing of playing cards;
- manufacturing of security boxes for the playing cards (existing business);
- manufacturing of security seals for the security boxes (existing business);
- manufacturing of card separator;
- pre-shuffling of playing cards;
- inserting the playing cards into security boxes;
- sealing the security boxes with the playing cards inside;
- delivering complete playing cards in security boxes to casino operators
- distribution and maintain tracking software system for playing cards security boxes; and
- destruction of used playing cards.

7. BUSINESS OVERVIEW



For the FYE Under Review, we have been supplying security seals and security boxes to our customers who are casino operators. The common process is that the casino operators will place the prescribed number of decks of playing cards into the security boxes and subsequently seal them using our security seals. The security seals will only be opened at the gaming table when they are to be used. In this scenario, the casino operators will buy from third-party manufacturers or suppliers for the playing cards, security boxes and security seals from us, while they will carry out the placing and sealing of the playing cards in the security boxes. Subsequently, the used playing cards will be destroyed to prevent fraud.

As such, we aim to offer a total solution where we will carry out all the necessary processes to supply the casino operators with playing cards in sealed security boxes. Subsequently, the used playing cards will be sealed in the security box and being delivered to our facility for destruction. While the security box is designed to be reuseable, the playing cards for casino are consumables which cannot be used repeatedly to prevent fraud. Our total solution for the casino operators includes the handling of used playing cards and supplying new sets of playing cards sealed in security boxes which can be used directly by the casino operators. This approach minimises the number of parties involved in the various processes to enhance the integrity of the playing cards in sealed security boxes. In addition, it will provide us with re-current revenue from the casino operators.

The manufacturing of playing cards is subjected to stringent controls including the use of specified paper, ink and laminating materials as these are key input materials.

The rationale for our new business venture includes the following:

- (i) we serviced 38 casino operators in Macao, Philippines, Vietnam, Cambodia and other countries for our security seals during the FYE Under Review. As we already have business relationship with them, these customers will form our initial target customers for our playing cards sealed in security boxes. Subsequently, we will expand our customer base to other countries in the Asia Pacific region.

Revenue contribution from our Asia Pacific customers in the leisure, hospitality and gaming industry grew from RM4.88 million in FYE 2021 to RM8.58 million in FYE 2023, representing a CAGR of 32.62%. The revenue from customers in Macao and the Philippines recorded a CAGR of 16.39% and 61.34% for the corresponding periods respectively.

7. BUSINESS OVERVIEW

Customers in the leisure, hospitality and gaming industry	Revenue RM'000			CAGR (FYE 2021- FYE 2023)
	FYE 2021	FYE 2022	FYE 2023	
Asia Pacific	4,880	6,310	8,583	32.62%
Other regions	2	37	206	914.89%
Total	4,882	6,347	8,789	34.17%
Group Revenue	135,098	155,211	161,303	9.27%

(ii) our initial target customers for our playing cards sealed in security boxes, specifically our existing customers in Macao and the Philippines, is supported by growth in the gaming industry in the respective countries as follows:

- increase in annual casino revenue of Macao which rebounded with a growth of 333.8% to MOP183.1 billion in 2023, following the easing of COVID-19 containment measures; and
- increase in gaming revenue of the Philippines which recorded a growth of 37.7% from PHP149.0 billion to PHP205.2 billion in the first nine months of 2023.

(Source: IMR Report)

Our new business venture plan includes the purchase of two Playing Card Manufacturing Lines and the renovation of premises in Malaysia and Macao as follows:

Timing	Milestone
Stage 1 – Malaysia: (2 nd quarter of 2024 – 2 nd quarter of 2025)	<p>For stage 1, we plan to place orders for the first Playing Card Manufacturing Line which is a specialised machinery and equipment comprising integrated and automated printing, cutting, laminating, inspection, collating and packaging as well as other ancillary machinery and equipment.</p> <p>We plan to finalise the purchase order of the first Playing Card Manufacturing Line from suppliers in Malaysia by end of April 2024. The main equipment for the manufacturing line will be fabricated by a company in Germany which specialises in colour offset printing machines. Our requirements will be for a six-colour offset printing machine including other related equipment for the entire integrated and automated process for the manufacture of playing cards. Upon confirmation of our purchase order, the fabrication of the Playing Card Manufacturing Line will take about nine to 12 months and is expected to be delivered to us in Malaysia by 2nd quarter of 2025.</p> <p>The new manufacturing line and ancillary machines will be housed at our No. 25 and No. 27 Property in Selangor, and installation and commissioning are planned to be completed by 2nd quarter of 2025. Furthermore, we will carry out the renovation works for the No 25 and No 27 Property to incorporate with required security measures such as perimeter and building security as well as the information technology security.</p> <p>The renovation is planned to commence by July 2024 and expected to be completed by end-March 2025.</p>

7. BUSINESS OVERVIEW

Timing	Milestone
	<p>We will also set up a team of 44 production floor personnel for this new operation by the 3rd quarter of 2025 in preparation for the commissioning and commencement of playing cards manufacturing and used playing cards handling operations. The production floor personnel will carry out the process for the manufacture of playing cards including sealing them in security boxes and handing of used playing cards. In this respect, we plan to commence pilot production by 4th quarter of 2025. The estimated capacity of our first Playing Card Manufacturing Line is 19 million decks of playing cards per year.</p> <p>The estimated cost for setting up the first Playing Card Manufacturing Line in Malaysia is approximately RM50.00 million which includes the purchase, installation and commissioning of the manufacturing line, and renovation works at our manufacturing facility. This will be fully funded by bank borrowings.</p>
Stage 2 - Macao: (4 th quarter of 2025 – 1 st quarter of 2027)	<p>We also plan to purchase a second Playing Card Manufacturing Line with the same suppliers in Malaysia by 4th quarter of 2025. Similarly, the manufacturing line will be fabricated by the same company in Germany and it will also take about nine to 12 months to complete, with expected delivery by 4th quarter of 2026.</p> <p>We intend to use a third-party subcontractor in Macao to carry out the manufacturing process for playing cards including sealing them in security boxes and handing of used playing cards. As such, we will consign our manufacturing line and place it at our subcontractor premises in Macao. We plan to complete the installation and commissioning of the manufacturing line by the 1st quarter of 2027.</p> <p>We have agreed to use a third party subcontractor to venture into the playing cards' business in Macao as we do not have prior direct experience of manufacturing in Macao. The third party contractor is familiar with local authorities, and have resources to operate in Macao. On 18 January 2024, we have entered into a memorandum of understanding with the subcontractor for the manufacturing of playing cards and handling of used card in Macao.</p> <p>The subcontractor will carry out the playing cards production process and used card handling process based on our specifications. We will supply all the relevant input materials including paper, ink and laminating materials as these are key input materials subjected to rigorous standards and control. As such, our subcontractor will be responsible for providing all the necessary personnel to carry out the manufacturing process, and premises to house the second Playing Card Manufacturing Line in Macao and store input materials, work-in-progress materials and finished goods. Furthermore, the subcontractor will also be responsible for the utilities, production costs, obtaining relevant insurance, and licenses and approvals to operate the second Playing Card Manufacturing Line, security of the premises and carrying out any relevant renovation on the premises to carry out the manufacturing process for playing cards based on our requirements and needs.</p>

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Timing	Milestone
	<p>Our subcontractor will charge us a subcontracting fee for the playing cards manufacturing process and for the handling of used cards, whilst we will be responsible for the expenses to purchase, deliver, install and commission the second Playing Card Manufacturing Line in Macao. All revenue streams from customers in Macao are to be invoiced, processed and received by Mega Pandai, our wholly-owned subsidiary in Malaysia.</p> <p>In line with our ESG commitment, the environmental considerations will be incorporated into the Playing Card Manufacturing Line in Macao such as energy-efficiency.</p> <p>In view of the above plan in Macao, we aim to adopt a direct distribution channel strategy for the marketing and sales of our playing cards in sealed security boxes directly to casino operators in Macao. The purpose of having new manufacturing facilities in two places, namely Malaysia and Macao is to ensure a reliable supply to customers and reduce the risk of supply interruptions for our customers. All orders received for delivery in Macao will be directed to the subcontractor for manufacturing and delivery in Macao, while the operations in Malaysia will provide capacity support should the orders exceed the capacity available in Macao.</p> <p>The estimated cost for the purchase and installation of the second Playing Card Manufacturing Line is approximately RM[●] million and this will be funded through IPO proceeds. Please refer to Section 4.5 of this Prospectus for further details on the utilisation of IPO proceeds.</p>

In summary, we aim to set aside approximately RM[●] million for the new business venture of providing total solution in supplying playing cards in sealed security boxes and handling of used playing cards, which will be funded through internally generated fund and/or bank borrowings and IPO proceeds as follows:

	Estimated costs RM'000	Source of fund		Expected start and completion period
		Internal funds and/or bank borrowings RM'000	IPO proceeds RM'000	
Stage 1: Operations in Malaysia	50,000	50,000	-	
Premises renovation	5,000	5,000	-	End March 2024-March 2025
Purchase and installation Playing Card Manufacturing Line in Malaysia	45,000	45,000	-	End April 2024-2 nd quarter of 2025
Stage 2: Operations in Macao	[●]	-	[●]	
Purchase and installation Playing Card Manufacturing Line in Macao	[●]	-	[●]	4 th quarter of 2025-1 st quarter of 2027
Total	[●]	50,000	[●]	

7. BUSINESS OVERVIEW

7.20 ESG PRACTICES

Our Group has established a sustainability framework to facilitate environmental, social and governance practices to create long-term value for our stakeholders. Our sustainability framework encompasses three key pillars, namely:

- (i) **Products:** Producing sustainable products to ensure that our core products (security seals) are sustainably sourced using eco-friendly materials;
- (ii) **Planet:** Operating ethically for a sustainable environment to achieve a greener production process; and
- (iii) **People:** Ensuring a safe and fair workplace while supporting the community. This is to prioritise our employees and the local community where we operate in.

Our Group's ESG practices strive to be in-line with the purpose of the Sustainability Reporting Guide (3rd Edition) issued by Bursa Securities ("**Sustainability Reporting Guide**"), which assists Malaysian public listed companies to embed sustainability in their operations. Moving forward, our Group shall report our progress and performance of our ESG practices via the Sustainability Statements to be in line with the Sustainability Reporting Guide.

Our Group's ESG practices include the following:

7.20.1 Environment

- (i) Innovation and raw material sourcing

We are committed to sustainable raw material sourcing and have implemented a recycled material usage and by-product reuse program. Our approach to raw material sourcing and sustainability consists of a three-pronged strategy:

- (a) Post production by-product utilisation

We prioritise the utilisation of by-products generated from our injection moulding process, known as runners. These runners form a vital component of our standard input formula, allowing us to efficiently repurpose over 90% of the by-products generated from our manufacturing process. Additionally, we also undertake internal and external 3rd party testing on our security seals that are manufactured with these repurposed products to ensure that the functionality and quality of our security seals are maintained.

- (b) Program to use external 100% recycled plastic resins

We have implemented a recycled material usage program with a minimum of 30% recycled material content in the production of our plastic seals. These materials are sourced externally, constituting previously used plastic that has been processed and recycled into pellet resin form.

All of our products manufactured with recycled resin has undergone all internal and external testing to ensure the integrity of the product is maintained and to meet the required design and development for production approval. All of our security seals using the recycled resin meet our standard functionality and quality benchmarks.

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(c) A complete biomass biodegradable product line

As part of our long-term sustainability objective, we are focusing on developing a range of security seals that eliminate our reliance on fossil fuel-based resins, instead selecting options that are 100% compostable.

We have invested in a research and development project to achieve this goal, collaborating with suppliers in developing a resin formula, capable of injection moulding and producing security seals that meet our functional and quality requirements, while meeting the international standards for defining products that are compostable (EN13432 and ASTM-D-5511).

Further we have also integrated biodegradable additives into our security seals as per our customer requirements. This innovation complies with ISO standards and facilitates decomposition of our security seals after they are being disposed. Please refer to Sections 7.6.1.3 and 7.6.1.4 of this Prospectus for further details on the design features and considerations, and customisation options of our security seals.

Apart from our current product offerings, we also carry out research and development activities which focuses on the design and development of new products and to ensure the quality standard of our security seals is maintained. Through these research and development activities, we are able to produce innovative product design to enable the use of more sustainable raw materials. Please refer to Section 7.11 of this Prospectus for further details on the research and development of our Group.

(ii) Waste management

We continuously innovate product designs and processes to reduce emissions, effluents, and waste in our manufacturing operations. Salvaged materials are repurposed, and residue waste is disposed of responsibly and in compliance with the Environmental Quality (Scheduled Waste) Regulations 2005.

In addition, we also monitor the proper disposal of our scheduled waste, such as metal/plastic container, contaminated rags and spent hydraulic oil generated from our manufacturing process that possess hazardous elements which may adversely affect public health and the surrounding environment. These scheduled wastes will be collected by licensed contractors and be sent to approved facilities for disposal.

(iii) Energy management

We have installed a solar panel system with an installed capacity of 359.2 kWp and an average specific yield of 1,317 kWh/kWp, at the No.29 Property to reduce our reliance on fossil fuel-based energy and to reduce our carbon footprint. Further, we have also completed the full replacement of our legacy equipment (including a horizontal injection moulding fleet) in late 2019, to improve the efficiency and quality of output of our manufacturing operations.

As at the LPD, we have one automated production line for our container seals at our existing manufacturing facilities situated at No. 29 Property. In line with the national policy on Industry 4.0, we intend to expand our production facilities in Malaysia by investing in automation to convert five sets of our existing machineries to five automated production lines as well as establish the New UK Factory with automated production lines. Please refer to Section 7.19 of this Prospectus for further details on our business strategies and plans.

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(iv) Water conservation

We have taken efforts to educate our employees on responsible water usage, with plans in formulation for deploying water-saving technologies and efficient water management practices.

7.20.2 Social

(i) Employee wellbeing

Our Group is committed to ensuring a safe workplace and promoting decent work practices that align with the United Nations Sustainable Development Goals (“**SDG**”), with focus in particular on SDG 8 (Decent Work and Economic Growth). Promoting employment of youth, conducting regular skills gap analysis for education and training opportunities. We also provide the necessary resources for the Occupational Health and Safety Committee to work towards a safe and healthy environment. We have in place a comprehensive Occupational Health and Safety Plan which includes regular training and safety drills prioritising employee health and safety.

(ii) Diversity and inclusion

Our Group fosters a diverse and inclusive workplace environment that reflects the global world in which we operate. Our workforce comprises individuals from the multitude of Malaysia’s rich multicultural societies and this diverse representation underscores our commitment to providing equal opportunities to all segments of society.

Our dedication to diversity extends to gender inclusivity, with women occupying key leadership positions across the organisation. From executive roles to operational management, women play vital roles in driving our business forward and shaping our corporate culture.

Our foreign subsidiaries are run by local business entrepreneurs with minority stakes. The local entrepreneurs have an innate understanding of the local culture, business culture, customer preferences and the specific business protocols in their respective markets. This provides our Group with the ability to tailor our products, services and marketing strategies to meet specific needs, and leverage the local entrepreneurs’ extensive knowledge and experience operating within their domestic markets and established network of customers and suppliers. With a local representation, our Group has the ability to respond quickly to specific demands or requirements in a specific domestic environment.

(iii) Community engagement

Our Group has undertaken various corporate social responsibility (“**CSR**”) initiatives, such as Mega Fortris Jari Indai Cares, a women empowerment project in Sarawak and soup kitchen to show our commitment in supporting local communities.

Jari Indai Cares aimed to empower the wellbeing of the Iban women in the Mendamit Longhouse, Sarawak. Our mission was to create sustainable income for families and children. The women in the longhouse are skilful in creating unique hand-made woven tote bags with native Borneo designs. Our global subsidiaries assisted in promoting the products overseas. This initiative assisted in enhancing their livelihood by enabling sustainable income for the women weavers.

The soup kitchen is another significant CSR initiative participated by our Group. Since October 2023, our Group took part in the soup kitchen initiative organised by Dapur Kinrara held at Puchong Jaya Community Center. Once a month, 15 of our Group’s employees volunteered for this initiative in preparing vegetarian meals for those in need.

7. BUSINESS OVERVIEW

7.20.3 Governance

Our Group is dedicated to upholding the Malaysian Code on Corporate Governance guidelines issued by the SC. Accordingly:

- (i) we have a formal organisational structure with clear lines of reporting to our Board Committees and our Key Senior Management, including defined lines of accountability and limits of authority;
- (ii) we have established a compliance framework to ensure that our Group's compliance matters are effectively managed with responsible stewardship and it also serves as our Group's commitment to uphold proper compliance management. Please refer to Section 7.26.3(2) of this Prospectus for further details on our compliance framework;
- (iii) we have adopted the Anti-Bribery and Corruption Policy to comply with the Malaysian Anti-Corruption Commission Act 2019 as we are committed to a zero-tolerance approach in our efforts to prevent corrupt and bribery practices within our Group and any third parties associated with us. Further, we have also adopted the Whistleblowing Policy to promote and maintain compliance with the Whistleblower Protection Act 2010;
- (iv) as part of our continuous effort and commitment in ensuring product quality, our Group has obtained the ISO 9001:2015 accreditation in quality management systems for our manufacturing facility at No.29 Property;
- (v) we have obtained ISO14001:2015 accreditation in environmental management systems, demonstrating our Group's commitment to environmental protection; and
- (vi) we have obtained ISO17712:2013 accreditation in uniform procedures for the classification, acceptance, and withdrawal of mechanical freight container seals to further enhance our status as a high-quality security seals manufacturer.

7.21 MAJOR LICENCES, PERMITS AND APPROVALS

Please refer Annexure A to this Prospectus for details of the major licences, permits and approvals obtained by our Company and material subsidiaries, and the status of compliance of material conditions attached as at the LPD.

7. BUSINESS OVERVIEW

7.22 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 Annexure B of this Prospectus for further details on our Group's material brand names, patents, trademarks and other intellectual property rights as at the LPD.

Our Group has entered into distributorship agreements with some of our distributors granting the distributors rights to use our intellectual property subject to the terms of the distributorship agreements, the salient terms of which are set forth below:

No.	Name of distributors	Territory	Naming rights	Intellectual property rights
1.	Mega Fortris Phils., Inc	Philippines	<u>Licence to operate under the name "Mega Fortris"</u>	<u>Licence to use our Company's trademarks</u>
2.	Mega Fortris Nordic AB	Sweden, Norway, Finland, Iceland	1. Our Company grants the distributors licence to carry out operations in connection with the promotion, distribution, and sale of our products in the territory under a company bearing the name "Mega Fortris" (" Naming Rights ").	1. Our Company grants the distributors licence to use our Company's trademarks and name in the course of their day-to-day business operations (" Right to use Mega Fortris Trademarks ").
3.	PT Mega Fortris Indonesia	Indonesia	2. Our Company retains all rights, titles and interests to the name "Mega Fortris", and the distributors shall not grant any rights in respect of the same to any third party. 3. The Naming Rights shall be revoked immediately upon termination or expiry of the distributorship agreements.	2. The distributors agree to adhere to the visual identity guidelines in respect of our Company's trademarks. 3. Our Company retains all rights, title and interest to our Company's trademarks and name, and the distributors shall not grant any rights in respect of the same to any third party.

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No.	Name of distributors	Territory	Naming rights	Intellectual property rights
			<p>4. Our Company may at any time and without providing any reason, revoke the Naming Rights granted to the distributors by way of written notice specifying such revocation ("Naming Rights Revocation Notice").</p> <p>5. Upon revocation of the Naming Rights or upon termination of or expiry of the distributorship agreement, the distributor shall procure for the name "Mega Fortris" to be removed from its company name within 60 days from the date of termination, or the date specified by us in the Naming Rights Revocation Notice.</p> <p>6. There is no payment required to be paid by our distributors to our Group for the usage of the name "Mega Fortris".</p>	<p>4. The Right to use Mega Fortris Trademarks shall be revoked immediately upon termination or expiry of the distributorship agreements.</p> <p>5. Our Company may at any time and without providing reason, revoke the Right to use Mega Fortris Trademarks granted to the distributors by way of written notice specifying such revocation.</p> <p>6. Upon revocation of the Right to use Mega Fortress Trademarks or upon termination of or expiry of the distributorship agreement, the distributor shall procure for our Company's trademarks and name to be removed from all materials used in the course of the day-to-day business operations within 60 days from the date of termination or expiry of the distributorship agreement, or the date in which our Company revokes the distributor's Right to use Mega Fortris Trademarks.</p> <p>7. There is no payment required to be paid by our distributors to our Group for the usage of our Company's trademarks.</p>

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No.	Name of distributors	Territory	Naming rights	Intellectual property rights
4.	MFIB	Spain, Andorra, Portugal	As above	<ol style="list-style-type: none"> 1. As above 2. Our Company and Mega Fortris Europe both jointly grant the right to use the license of the ERP Microsoft Dynamics 365 Business Central of Mega Fortris and Mega Fortris Europe to MFIB ("MFM-MFEU-ERP") 3. There are no fixed payment terms for MFIB to use MFM-MFEU-ERP. Payment will be chargeable on an as incurred basis.

7. BUSINESS OVERVIEW

7.23 MATERIAL PROPERTIES

7.23.1 Material properties owned by our Group

The details of the material properties owned by our Group as at the LPD are as follows:

Malaysia

No.	Registered owner / Beneficial owner	Title details / Postal address	Description / Existing use / Tenure	Land area / Built-up area (sq m)	Date of issuance of CCC or equivalent	Category of land use / Express condition / Restriction in interest	Material encumbrances	Audited NBV as at 30 June 2023 (RM'000)
1.	Registered owner Mega Fortris	<u>Title details</u> H.S.(D) 102312, PT 111841, Mukim Klang, Daerah Klang, Negeri Selangor	<u>Description</u> Single storey warehouse <u>Existing use</u> Vacant	<u>Land area</u> 6,859 <u>Built-up area</u> 4,476.70	12 November 2008	<u>Category of land use</u> Industrial <u>Express condition</u> Industrial <u>Restriction in interest</u> Nil	Charged in favour of United Overseas Bank (Malaysia) Berhad dated 14 January 2022 ⁽¹⁾ .	23,000
		<u>Postal address</u> No. 25 & No. 27, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor	<u>Tenure</u> Freehold					

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No.	Registered owner / Beneficial owner	Title details / Postal address	Description / Existing use / Tenure	Land area / Built-up area (sq m)	Date of issuance of CCC or equivalent	Category of land use / Express condition / Restriction in interest	Material encumbrances	Audited NBV as at 30 June 2023 (RM'000)
2.	<u>Registered owner</u> Mega Fortris	<u>Title details</u> Geran 104308, Lot 69297, Mukim Klang, Daerah Klang, Negeri Selangor <u>Postal address</u> No. 29, Jalan Anggerik Mokara 31/47, Seksyen 31, Shah Alam, 40460, Selangor	<u>Description</u> 2-storey factory and 3-storey office <u>Existing use</u> Factory and office <u>Tenure</u> Freehold	<u>Land area</u> 6,705 <u>Built-up area</u> 8,210	14 September 2023	<u>Category of land use</u> Industrial <u>Express condition</u> Industrial <u>Restriction in interest</u> Nil	Charged in favour of United Overseas Bank (Malaysia) Berhad dated 14 January 2022 ⁽¹⁾ .	26,000
3.	<u>Registered owner</u> Mega Fortris	<u>Title details</u> Geran 99192, Lot 69282, Mukim Klang, Daerah Klang, Negeri Selangor <u>Postal address</u> No. 56, Jalan Anggerik Mokara 31/47, Seksyen 31, Shah Alam, 40450, Selangor	<u>Description</u> 1-storey factory and 3-storey office <u>Existing use</u> Factory and office	<u>Land area</u> 4,047 <u>Built-up area</u> 2,575	28 December 2002	<u>Category of land use</u> Industrial <u>Express condition</u> Industrial <u>Restriction in interest</u> Nil	1. Charged to AmBank (M) Berhad on 6 November 2023 2. Private caveat lodged by AmBank (M) Berhad on 9 October 2023	Not applicable ⁽²⁾

7. BUSINESS OVERVIEW

Notes:

- (1) On 20 March 2024, we have presented to the Selangor Land Office the discharge of the existing charge and registration of a new charge to RHB Bank Berhad.
- (2) No.56 Property was previously owned by Horizonshoppes (Malaysia) Sdn Bhd. Pursuant to a sale and purchase agreement dated 17 August 2023 between Horizonshoppes (Malaysia) Sdn Bhd (as vendor) and our Company (as purchaser), the acquisition of No.56 Property was completed on 30 November 2023.

7.23.2 Material properties rented by our Group

The details of material properties rented by our material subsidiaries as at the LPD are as follows:

USA

No.	Landlord / Tenant	Title details / Postal address	Existing use	Date of issuance of CCC or equivalent	Approximate rented area (sq m)	Tenure / Rental Per Annum
1.	<u>Landlord</u> LBA LVF VII – COMPANY II, LLC	<u>Title details</u> Block: 18, LO: 9.111	<u>Description</u> Zoned General Industrial (I-3)	5 December 2015	<u>Built-up area</u> 891.87	<u>Tenure</u> 1 June 2021 to 21 May 2024
	<u>Tenant</u> Mega Fortris Americas, Inc.	<u>Postal address</u> 174 Ridge Road, South Brunswick, NJ 08810	<u>Existing use</u> Sales office			<u>Rental per annum</u> USD99,809.52

7. BUSINESS OVERVIEW

UK

<u>No.</u>	<u>Landlord / Tenant</u>	<u>Title details / Postal address</u>	<u>Existing use</u>	<u>Date of issuance of CCC or equivalent</u>	<u>Approximate rented area (sq m)</u>	<u>Tenure / Rental Per Annum</u>
1.	<u>Landlord</u> L.C.P. Properties Limited	<u>Title details</u> SF451548	<u>Description</u> Any use falling within Classes B1, B2 and B8 of the Town and Country Planning (Use Classes) Order 1987	5 July 2006	<u>Built-up area</u> 759	<u>Tenure</u> 1 December 2016 to 30 November 2026
	<u>Tenant</u> Mega Fortris UK	<u>Postal address</u> Unit 18 of Zone 3, Burntwood Business Park, Staffordshire	<u>Existing use</u> Manufacture and marking (laser marking or embossing) of security seals, supply of lashing, strapping and dunnage bags and storage of all such products			<u>Rental per annum</u> GBP52,818.54

7. BUSINESS OVERVIEW

Europe

<u>No.</u>	<u>Landlord / Tenant</u>	<u>Title details / Postal address</u>	<u>Existing use</u>	<u>Date of issuance of CCC or equivalent</u>	<u>Approximate rented area (sq m)</u>	<u>Tenure / Rental Per Annum</u>
1.	<u>Landlord</u> Klædefabrikken ApS, cvr-no. 38641549	<u>Title details</u> Title no. 10 a, Usserød By, Hørsholm	<u>Description</u> Office building and light production	15 August 1941	<u>Built-up area</u> 91.6	<u>Tenure</u> Indefinite until termination <u>Rental per annum</u> DKK95,746
	<u>Tenant</u> Mega Europe	<u>Postal address</u> 1. Lyngsø Allé 3, 2970 Hørsholm	<u>Existing use</u> Office building			

7. BUSINESS OVERVIEW

7.24 DEPENDENCY ON COMMERCIAL CONTRACTS / AGREEMENTS, DOCUMENTS, MAJOR LICENCES, INTELLECTUAL PROPERTY RIGHTS OR OTHER ARRANGEMENTS

As at the LPD, save for the major licences, permits and approvals in Annexure A and intellectual properties (save for the industrial designs) in Annexure B of this Prospectus, the business and profitability of our Group are not materially dependent on any commercial contracts / agreements, documents, licences, intellectual properties rights or other arrangements.

7.25 GOVERNING LAWS, REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUE

Our business is regulated by, and in some instances required to be licensed under specific laws of the jurisdictions where we operate our business. The relevant laws and regulations governing our Group's major countries of operations (namely, Malaysia, USA, UK and Denmark) which are material to our operations are summarised below. Please refer to Section 7.26.2 of this Prospectus for our non-compliance of these summarised laws and regulations that have since been rectified. In addition, please refer to Section 7.26.1 of this Prospectus for our non-compliance with the USA's sales taxation rules and regulations involving our subsidiary, Mega Fortris Americas.

The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to and is only intended to provide general information to investors. It is not intended to be a substitute for independent professional advice.

7.25.1 Malaysia

(i) Industrial Co-ordination Act 1975 ("ICA 1975")

Pursuant to the ICA 1975, manufacturing companies with shareholders' funds of RM2,500,000.00 and above or engaging 75 or more full-time paid employees are required to apply for a manufacturing licence. The person who contravenes this shall be guilty of an offence and is liable on conviction to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding six months and to a further fine not exceeding RM1,000.00 for every day during which such default continues.

The ICA 1975 defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade".

The licensing officer may also in his discretion revoke a licence if the manufacturer to whom a licence is issued:

- (a) has not complied with any condition imposed in the licence;
- (b) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or
- (c) has made a false statement in his application for the licence.

The licensing officer may also withhold or suspend the revocation of the licence if he is satisfied that the act or omission on the part of the manufacturer under the above situations was due to some cause beyond his control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

7. BUSINESS OVERVIEW

(i) Printing Presses and Publications Act 1984 (“PPPA 1984”)

The PPPA 1984 regulates the use of printing presses and the printing, importation, production, reproduction, publishing and distribution of publications. Under the PPPA 1984, a licence to use a printing press is required for letterpress, lithography, gravure, intaglio or any other process of printing capable of printing at a rate of 1,000 impressions per hour or more.

Under Section 3 of the PPPA 1984, any person who keeps for use or uses a printing press without a valid licence, or in contravention of any conditions imposed therein, shall be guilty of an offence and shall on conviction, be liable to imprisonment for a term not exceeding three years or to a fine not exceeding RM20,000.00 or to both and the deposit made under Section 10 of the PPPA 1984 shall be liable to be forfeited.

(ii) Factories and Machinery Act 1967 (“FMA 1967”)

The FMA 1967 and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 governs the control of factories with respect to matters relating to the safety, health and welfare of person, the registration and inspection of machinery and for matters connected therein.

Under Section 34 of the FMA 1967, every person who occupies or uses any premises as a factory shall within three months submit particulars of the factory to the Chief Inspector of Factories and Machinery. No person shall, except with the written permission of the Inspector of Factories and Machinery, begin to use any premises as a factory until one month after the service of the notice.

Section 19(1) of the FMA 1967 further states that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA 1967. In the case of any contravention, an Inspector of Factories and Machinery appointed under the FMA 1967 shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time a valid certificate of fitness is issued. The person who contravenes Section 19(1) shall be liable for an offence and shall, on conviction, be liable to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding three years or to both.

For the purposes of FMA 1967,

- (a) the term “machinery” includes steam boilers, unfired pressure vessels, fired pressure vessels, pipelines, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, materials handling equipment, amusement device or any other similar machinery and any equipment for the casting, cutting, welding or electro-deposition of materials and for the spraying by means of compressed gas or air of materials or other materials but does not include:
 - (aa) any machinery used for the propulsion of vehicles other than steam boilers or steam engines;
 - (bb) any machinery driven by manual power other than hoisting machines;
 - (cc) any machinery used solely for private and domestic purposes; or
 - (dd) office machines; and

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- (b) the term “material handling equipment” includes any power-driven equipment for handling materials, and includes forklift, conveyor, stacker, excavator, tractor, dumper or bulldozer but does not include hoisting machine.

In addition, Section 36 of the FMA 1967 provides that no person shall install or cause to be installed any machinery in any factory except with the written approval of the Inspector of Factories and Machinery.

The Factories and Machinery (Repeal) Act 2022 (the “**FM Repeal Act**”), which has been passed as law, has received the Royal Assent on 4 March 2022 and has been gazetted on 16 March 2022. However, the date on which the FM Repeal Act comes into operation has yet to be appointed and gazetted.

The FM Repeal Act, when comes into operation, will repeal the FMA 1967. However, any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the FMA 1967 shall, on the coming into operation of the FM Repeal Act, be dealt with under the Occupational Safety and Health Act 1994 and its subsidiary legislations, which will be the law of reference for all matters related to safety and welfare of persons at work.

(iii) Occupational Safety and Health Act 1994 (“**OSHA 1994**”)

The OSHA 1994 provides the framework to secure the safety, health and welfare among workforce and to protect others against risks to safety or health in connection with the activities of persons at work.

The OSHA 1994 imposes a general duty on every employer to ensure, so far as is practicable, the safety, health and welfare of its employees at work. Such duty, so far as is practicable, includes:

- (a) providing and maintaining plants and systems of work that are safe and without risks to health;
- (b) making arrangements to ensure safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
- (c) providing information, instruction, training and supervision as is necessary to ensure the safety and health at work of his employees;
- (d) maintaining any place of work under the control of the employer, in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks;
- (e) providing and maintaining a working environment for his employees that is safe, without risks to health, and adequate as regards facilities for their welfare at work; and
- (f) formulating and implementing safety and health policies. Such safety and health policy shall be revised as often as it may be appropriate and shall be brought to the notice of all employees.

The employer shall also establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. An occupier of a place of work is also required to employ a competent person to act as a safety and health officer at the place of work.

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The OSHA 1994 also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

Failure to comply with the general duties of employers under Part IV of OSHA 1994 constitutes an offence and the employer is liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding two years or to both.

Similar to the FM Repeal Act, the Occupational Safety and Health (Amendment) Act 2022 ("**OSH Amendment Act**") has been passed as law, received the Royal Assent on 4 March 2022 and has been gazetted on 16 March 2022. However, the date on which the OSH Amendment Act comes into operation has yet to be appointed and gazetted.

The OSH Amendment Act, when comes into operation, will provide amongst others:

- (a) a right to an employee to remove himself from the danger or the work if he has reasonable justification to believe there exist an imminent danger at his place of work, and the employer has failed to take any action to remove the danger;
- (b) the obligation of an employer to conduct a risk assessment in respect of the safety and health risk posed to any person who may be affected by his undertaking at the place of work and the implementation of risk control to eliminate or reduce said safety and health risk; and
- (c) provisions relating to notification of occupation of place of work, and installation and inspection of plants, including the prescription of any plant for which a certificate of fitness is required.

Upon the OSH Amendment Act comes into operation, failure to comply with the general duties of employers under Part IV of the amended OSHA 1994 constitutes an offence and the employer is liable to a fine not exceeding RM500,000.00 or to imprisonment for a term not exceeding two years or to both.

(iv) Environmental Quality Act 1974 ("**EQA 1974**")

The EQA 1974 sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment. It is an offence under the EQA 1974 for any person, unless licenced to do so, to among others:

- (a) emit or discharge environmentally hazardous substances, pollutants or wastes into the atmosphere;
- (b) emit or cause or permit to be emitted any noise greater in volume, intensity or quality;
- (c) pollute or cause or permit to be polluted any soil or surface of any land; or
- (d) emit, discharge or deposit any environmentally hazardous substances, pollutants or waste into any inland waters,

in contravention of the acceptable conditions specified in the EQA 1974.

The EQA 1974 also empowers the Minister charged with the responsibility for environment protection to make regulations specifying acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into the environment.

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Among other regulations, the Environmental Quality (Scheduled Waste) Regulations 2005 ("**Scheduled Waste Regulations**") specify the following requirements:

- (a) any person who generates scheduled wastes ("**Waste Generators**") shall, within 30 days from the date of generation of scheduled wastes, notify the Director General of Environmental Quality ("**DGEQ**") of the new categories and quantities of scheduled wastes which are generated;
- (b) scheduled wastes shall be disposed of at prescribed premises only and shall, as far as practicable, before disposal, be rendered innocuous;
- (c) scheduled wastes be treated at prescribed premises or at on-site treatment facilities only and the residuals from treatment of scheduled wastes shall be treated and disposed of at prescribed premises.
- (d) a Waste Generator may apply to the DGEQ in writing to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises, on-site treatment or recovery facilities. If the DGEQ is satisfied with the application made, the DGEQ may grant a written approval either with or without conditions; and
- (e) a Waste Generator shall keep an accurate and up-to-date inventory of scheduled wastes generated, treated and disposed of in accordance with the Fifth Schedule of the Scheduled Waste Regulations and of materials or product recovered from such scheduled wastes for a period up to three years from the date of the scheduled wastes was generated.

Further, the Environmental Quality (Clean Air) Regulations 2014 ("**Clean Air Regulations**"), which is applicable to industrial plants, specify the following requirements:

- (a) a written notification shall be submitted by the owner or occupier of a premises to the DGEQ not less than 30 days before the commencement of the following:
 - (aa) any change in operation of his premises;
 - (bb) any work on any premises that may result in a source of emission;
 - (cc) construction of any building or premises on any land designed or used for a purpose that may result in a new source of emission;
 - (dd) any change of, to, or in any plant, machine, or equipment used or installed at the premises that causes a material change in the quantity or quality of emission from an existing source; or
 - (ee) any changes or modifications to an existing facility designed and constructed for the purpose of preventing or reducing the potential emission that causes air pollution, and includes the extraction system, control equipment and chimney ("**Air Pollution Control System**").
- (b) every premises shall be equipped with an Air Pollution Control System in accordance with the specifications as determined by the DGEQ;
- (c) the owner or occupier of the premises must operate and maintain the Air Pollution Control System in accordance with sound engineering practice and ensure that all components of the Air Pollution Control System are in good working condition; and

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- (d) the owner or occupier of the premises and the professional engineer shall, within 30 days after the commencement of operations at the premises, submit a written declaration to the DGEQ, certifying that the design and construction of the Air Pollution Control System have complied with the specifications as determined by the DGEQ.

Failure to comply with the provisions of the EQA 1974 where no penalty is expressly provided, the offender shall be liable to a fine not exceeding RM10,000.00 or imprisonment for a period not exceeding two years or to both.

(v) Fire Services Act 1988 (“FSA 1988”)

The FSA 1988 prescribes the effective and efficient functioning of the Fire Services Department, for the protection of persons and property from fire risks or emergencies. The FSA provides, among other things, that a fire certificate be issued only after the designated premises have been inspected and the Fire and Rescue Department of Malaysia (“FRD”) is satisfied that there are adequate fire-fighting equipment or fire safety installation in relation to the use of the designated premises.

Pursuant to Section 28 of the FSA 1988, every designated premises shall require a fire certificate. Where there is no fire certificate in force, the owners of such premises may become subject to a fine not exceeding RM50,000.00 or imprisonment for a term not exceeding five years or to both. The FRD also has a general authority to order or direct the owner or occupier of any premises to cease any activities if the FRD is satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

(vi) Street, Drainage and Building Act 1974 (“SDBA 1974”)

The SDBA 1974 is enforced by the local authorities of Peninsular Malaysia, and it provides for the requirement of having a CCC for the occupation of any building or any part thereof.

Under the Uniform Building By-Laws 1984 (“UBBL”) which was issued pursuant to the SDBA, a CCC or equivalent will be issued by the local authority upon receipt of certification in relevant forms by a qualified person, including an architect, registered building draughtsman or an engineer.

A qualified person must be satisfied that, to his/her best knowledge:

- (a) the relevant building has been constructed in accordance with UBBL;
- (b) any conditions imposed by the local authority have been satisfied;
- (c) all essential services have been provided; and
- (d) responsibilities have been accepted for the portions that are being concerned with.

Any person who occupies or permits to be occupied any building or any part thereof without a CCC or equivalent commits an offence punishable with a fine not exceeding RM250,000.00 or with an imprisonment for a term not exceeding 10 years or with both under the SDBA 1974.

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(vii) **Employees' Minimum Standards of Housing, Accommodation and Amenities Act 1990 ("EMSHAAA 1990")**

The EMSHAAA 1990 prescribes, amongst others, the minimum standards of housing, nurseries and accommodation for employees (and their dependants, if applicable) as well as health, hospital, medical and social amenities to be provided by the employers to their employees.

The EMSHAAA 1990 imposes the duty and responsibility on employers or centralized accommodation providers to, amongst others, ensure that:

- (a) every accommodation provided for employees complies with the minimum standards required under the EMSHAAA 1990 and any regulations issued under the EMSHAAA 1990;
- (b) no employee accommodation will be provided to an employee unless such accommodation is certified with a certificate for accommodation;
- (c) the employee accommodation has decent and adequate amenities in accordance with the EMSHAAA 1990 and any regulations issued under the EMSHAAA 1990; and
- (d) preventive measures are taken to contain the spread of infectious diseases as ordered by the Medical Officer of Health in accordance with the relevant laws and the employer will, at his own expense, make arrangements as ordered by the Medical Officer of Health so that all or any of the employees be given immunization against any infectious disease.

An employer who provides accommodation that is not certified with the certificate for accommodation to an employee commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding one year or to both.

Further, the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 imposes, amongst others, the minimum requirements for employee accommodations including the size of floor area for bedrooms and sleeping areas, the obligation on employers or centralized accommodation providers to ensure the provision of water and electricity supply as well as basic amenities.

(viii) **Local Government Act 1976 ("LGA 1976")**

Pursuant to Section 102(s) of the LGA 1976, the relevant local authorities may control and supervise, by registration, licensing or otherwise, a trade, business or industry. Businesses in Shah Alam are regulated by the Licensing of Trades, Businesses and Industries (Shah Alam City Council) By-Laws 2007 ("**Shah Alam By-Laws**").

The Shah Alam By-Laws provides that no person shall operate any activity of trade, business and industry or use any place or premise in the local area of Shah Alam for any activity of trade, business and industry; or exhibit any advertisement, without a licence issued by the licensing authority.

Under Section 104 of the Local Government Act 1976, any person who breaches any by-law commits an offence and shall, on conviction be liable to a fine not exceeding RM2,000.00 or imprisonment for a term of not more than one year or both and to a further fine not exceeding RM200.00 for each day during which such offence is continued after conviction.

7. BUSINESS OVERVIEW

(ix) Employment (Limitation of Overtime Work) Regulations 1980 (“Employment Regulations”)

The Employment Act 1955 (“**EA 1955**”) governs the Employment Regulations. The Employment Regulations regulate the overtime working hours of employees.

Pursuant to Clause 60A(7) of the EA 1955, no employer shall require any employee under any circumstances to work for more than 12 hours in any one day, except in circumstances described in Section 60A(2)(a) to (e) of EA 1955, namely:

- (a) accident, actual or threatened, in or with respect to the employee’s place of work;
- (b) work, the performance of which is essential to the life of the community;
- (c) work essential for the defence or security of Malaysia;
- (d) urgent work to be done to machinery or plant; and
- (e) an interruption of work which it was impossible to foresee.

Regulation 2 of the Employment Regulations states that no employer shall require or permit any employee to work overtime exceeding a total of 104 hours in a month.

Pursuant to Clause 60A(3)(a) of the EA 1955, any overtime work carried out in excess of the normal hours of work, the employee shall be paid at a rate not less than one and a half times his hourly rate of pay irrespective of this basis on which his rate of pay is fixed.

Section 60A(4)(a) of the EA 1955 states that the Director General of Labour may permit any particular employee, or any group, class, category or description of employees in any particular industry, undertaking or establishment to work overtime in excess of the limit of hours so prescribed, subject to such conditions, if any, as he may deem proper to impose provided that a prior written application made to him by an employer or by an employee or group of employees is made before the said group of employees working overtime exceeding the permitted maximum overtime working hours.

Section 99A of the EA 1955 provides that any person who commits any offence under, or contravenes any provision of, the EA 1955, or any regulations, order, or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM50,000.00.

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7.25.2 United States of America

(i) U.S. Occupational Safety and Health Act of 1970

Pursuant to the Occupational Safety and Health Act of 1970, as amended (“**OSH Act**”), and rules and regulations promulgated by the Occupational Safety and Health Administration (“**OSHA**”) created thereby, the company has an obligation to provide a workplace free from serious recognized hazards and comply with standards, rules and regulations issued under the OSH Act. Under the OSH Act and OSHA rules and regulations, employers are required to:

- (a) examine workplace conditions to make sure they conform to applicable OSHA standards;
- (b) make sure employees have and use safe tools and equipment and properly maintain this equipment;
- (c) use color codes, posters, labels or signs to warn employees of potential hazards;
- (d) establish or update operating procedures and communicate them so that employees follow safety and health requirements;
- (e) provide safety training in a language and vocabulary workers can understand;
- (f) provide medical examinations and training when required by OSHA standards;
- (g) post, at a prominent location within the workplace, the OSHA poster (or the state-plan equivalent) informing employees of their rights and responsibilities;
- (h) provide access to employee medical records and exposure records to employees or their authorized representatives;
- (i) not discriminate against employees who exercise their rights under the OSH Act; and
- (j) correct cited violations by the deadline set in the OSHA citation and submit required abatement verification documentation.

The maximum penalty for violations of the OSH Act or related regulations is \$16,131.00 per violation, with a penalty for failure to abate such violation of as much as \$16,131.00 per day beyond the abatement date, and a fine of up to \$161,323.00 for willful or repeated violations (see OSHA Memorandum of January 8, 2024).

(ii) U.S. Customs and Border Protection

Pursuant to Title 19 of the Code of Federal Regulation (“**C.F.R.**”) in the United States, the U.S. Customs and Border Protection (“**CBP**”) administers and enforces numerous requirements relating to the import of goods into the United States.

CBP sets all procedures relating to the import of goods from outside the United States, and requires importers to correctly state the country of origin of any imported merchandise, accurately declare the value of any imported merchandise, and to correctly classify any imported merchandise under the Harmonized Tariff Schedule maintained by the CBP.

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Importers must also keep for a period of five years from the date of entry (and maintain in their original format), and make available to the CBP upon request, records in the ordinary course of business pertaining to the importation of merchandise, the transportation or storage of goods carried or held under bond into the customs territory of the United States, and information contained in document required with the foregoing activities.

In order for an importer to comply with the regulation administered by the CBP, the importer of record must show that it has exercised reasonable care to comply, which is a facts and circumstances test. Some factors that generally show compliance with the reasonable care standard are:

- (a) implementing internal procedures and controls to ensure that complete and accurate information is provided to CBP.
- (b) assigning responsible and knowledgeable personnel to review the accuracy of documents filed with CBP.
- (c) reviewing applicable CBP Informed Compliance Publications.
- (d) consulting with a CBP-licensed customs broker or another expert such as an attorney knowledgeable in customs matters.

Further, in order for an importer to comply with the regulation administered by the CBP, the importer of record is liable for the payment of customs duties, which constitute a personal debt due from the importer to the US (19 C.F.R. 141.1(b)). To help guarantee compliance, CBP regulations require that importers post a customs bond, under which a surety is liable for duties if the importer fails to pay (19 C.F.R. 113.62(a)).

Failure to comply with the foregoing requirements may result in significant penalties (not to exceed \$10,000.00 per individual violation) for an importer, including fines.

(iii) New Jersey Worker Health and Safety Act

Pursuant to the New Jersey health and Safety Act (“**NJSA**”), every employer shall furnish a place of employment which shall be reasonably safe and healthful for employees. Every employer shall install, maintain and use such employee protective devices and safeguards including methods of sanitation and hygiene and where a substantial risk of physical injury is inherent in the nature of a specific work operation shall also with respect to such work operation establish and enforce such work methods, as are reasonably necessary to protect the life, health and safety of employees, with due regard for the nature of the work required

Failure to comply with an order under the NJSA may result in civil administrative penalties up to \$7,000.00 per day for each violation not abated.

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(iv) U.S. Equal Pay Act of 1963

The Equal Pay Act of 1963 (as amended, the “**Equal Pay Act**”) requires that men and women in the same workplace be given equal pay for equal work. The jobs need not be identical, but they must be substantially equal. Job content (not job titles) determines whether jobs are substantially equal. All forms of pay are covered by this law, including salary, overtime pay, bonuses, stock options, profit sharing and bonus plans, life insurance, vacation and holiday pay, cleaning or gasoline allowances, hotel accommodations, reimbursement for travel expenses, and benefits. If there is an inequality in wages between men and women, employers may not reduce the wages of either sex to equalize their pay.

Any person who willfully violates any of the provisions of the Equal Pay Act shall upon conviction thereof be subject to a fine of not more than \$10,000.00, or to imprisonment for not more than six months, or both.

(v) Fair Labor Standards Act

The Fair Labor Standards Act (“**FLSA**”) establishes minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers.

The Wage and Hour Division (“**WHD**”) of the U.S. Department of Labor (“**DOL**”) administers and enforces the FLSA with respect to private employment. Covered, nonexempt workers are entitled to a minimum wage of \$7.25 per hour effective July 24, 2009. Nonexempt workers must be paid overtime pay at a rate of not less than one and one-half times their regular rates of pay after 40 hours of work in a workweek.

Wages required by the FLSA are due on the regular payday for the pay period covered. Deductions made from wages for such items as cash or merchandise shortages, employer-required uniforms, and tools of the trade, are not legal to the extent that they reduce the wages of employees below the minimum rate required by the FLSA or reduce the amount of overtime pay due under the FLSA.

Employers who have willfully violated the law may be subject to criminal penalties, including fines of up to \$10,000.00 per violation (and wronged employees may seek liquidated damages, which courts are empowered to grant) and possible imprisonment.

(vi) Title VII of the Civil Rights Act of 1964

Title VII of the Civil Rights Act of 1964 (“**Title VII**”) prohibits discrimination in hiring, promotion, discharge, pay, fringe benefits, job training, classification, referral, and other aspects of employment, on the basis of race, color, religion, sex or national origin. This law is enforced by the Equal Employment Opportunity Commission (“**EEOC**”).

Title VII prohibits discrimination on the basis of race, color, or national origin in programs and activities that receive federal financial assistance. This law is enforced by the Civil Rights Center.

If the EEOC determines that employers are in violation of anti-discrimination laws, employers may receive fines up to \$50,000.00 for smaller companies or \$300,000.00 for companies with more than 500 employees.

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(vii) New Jersey Law Against Discrimination

The New Jersey Law Against Discrimination (“**NJ LAD**”) prohibits unlawful employment discrimination based on an individual's race, creed, color, national origin, nationality, ancestry, age, sex (including pregnancy), familial status, marital/civil union status, religion, domestic partnership status, affectional or sexual orientation, gender identity and expression, atypical hereditary cellular or blood trait, genetic information, liability for military service, and mental or physical disability (including perceived disability, and AIDS and HIV status).

Penalties for a single violation of the NJ LAD include a fine of up to \$10,000.00 for first-time offenders, with fines of up to \$50,000.00 possible for repeat offenders.

(viii) New Jersey Equal Pay Act

The New Jersey Equal Pay Act (“**NJ EPA**”) prohibits employers from discriminating against employees based on any class protected by the NJ LAD. The NJ EPA generally prohibits an employer from paying an employee who is a member of an LAD-protected class less than what it pays an employee who is not a member of that LAD-protected class for substantially similar work.

Penalties for a single violation of the NJ EPA include a fine of up to \$10,000.00 for first-time offenders, with fines of up to \$50,000.00 possible for repeat offenders.

(ix) New Jersey Conscientious Employee Protection Act

The New Jersey Conscientious Employee Protection Act (“**NJ CEPA**”) prohibits employers from taking adverse employment actions against employees who disclose, object to, or refuse to participate in certain actions that the employee reasonably believes to be either illegal or in violation of public policy.

Violations of the NJ CEPA can result in fines of up to \$20,000.00 per incident.

7.25.3 United Kingdom

(i) Employment status

Individuals can be classified as employees, workers and self-employed (or independent contractors). It is important to determine status as this will affect a number of things such as:

- (a) what rights the individual benefits from (employees enjoy the most rights compared to workers and the self-employed and benefit from a statutory redundancy payment or the right to claim dismissal);
- (b) the basis on which their income is taxed; and
- (c) the extent to which rights and duties are implied into the relationship e.g. ownership of intellectual property or abilities to work elsewhere.

A table of the main rights relating to employment status is below.

To decide status, what the parties agree is important, but what they actually do is vital. A judge will specially analyse (a) whether the individual must perform the services personally and (b) the extent of control over the individual; and c) the degree to which they are integrated in the business.

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Most employment relationships are governed by full time employment contracts but part time work and more flexible arrangements including hybrid and home working are on the increase. It is not necessary to engage someone as an employee, but it is important to set up arrangements that best reflect the individual's status.

"Worker" is a wider term than employee, and includes other individuals who, although not employees, perform work personally for a business, where that business is not their client or customer. Workers have some legal rights, including the rights to paid holiday, receiving a national minimum wage, and a written statement of the main terms and conditions governing their work.

Individuals who are truly self-employed (or independent contractors) do not benefit from any such rights.

There is no standalone penalty for the misclassification of employment status. Rather, an employer would be penalized for a failure to provide a particular employment right i.e. payment in respect of annual leave or to provide a written statement of particulars. There could also be a financial penalty with the Tax Authority claiming unpaid tax and employer national insurance contributions, together with interest and penalties if the employee's status is misclassified.

We set out below the comparison of employees, workers and independent contractors:

	Employee	Worker	Independent contractor
Remuneration	Employee is remunerated by a wage or salary.	Worker is remunerated by reference to completion of a specified task.	Individual is remunerated by reference to completion of a specified task – submits invoices. Individual bears the risk of profit or loss in the operation of its business.
Salary, tax and pay slip (Section 8 Employment Rights Act 1996 ("ERA"))	Employer is responsible for deducting tax ("PAYE") and National Insurance contributions ("NICs") at source from the salary paid to employees. Employee is entitled to an itemised pay statement.	HMRC only recognises status of employee and independent contractor – not worker. PAYE and NIC may be deducted before payment is made to worker in certain circumstances. Employer to decide status of individual but ultimately it is for HMRC to determine tax status. Worker is entitled to an itemised pay statement.	Individual responsible for their own tax and NICs under self-assessment. Contractor invoices client for work carried out.
Written statement of particulars of employment (Section 1 ERA)	Statutory right to written particulars of employment.	Statutory right to written particulars of employment.	No statutory right. Client should document terms of engagement with contractor in a written agreement.

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	Employee	Worker	Independent contractor
National Minimum Wage entitlement (Section 1 National Minimum Wage Act 1998)	Statutory right to National Minimum Wage ('NMW').	Statutory right to NMW.	No right to NMW.
Annual leave (Section 13 and 13A Working Time Regulations 1998 ("WTR"))	Statutory right to paid annual leave.	Statutory right to paid annual leave.	No statutory right to annual leave.
Pensions (Section 3 Pensions Act 2008)	Right to pension contribution from employer under the auto-enrolment scheme.	This right applies to a worker who satisfies certain criteria.	No such right.
Statutory sick pay (The Statutory Sick Pay (General) Regulations 1982)	Entitlement to statutory sick pay.	A worker could qualify for statutory sick pay if certain criteria are met.	No entitlement to statutory sick pay.
Working time maximum (Section 4 WTR)	Maximum statutory working time limits .	Maximum statutory working time limits.	No statutory cap on working time.
Family leave (Section 71 – 80EE ERA)	Statutory entitlement to family leave (maternity, paternity, shared parental, adoption, bereavement leave and unpaid parental leave).	No such right.	No such right.
Flexible working (Section 80F-I ERA)	Right to request flexible working.	No such right.	No such right.
Unfair dismissal (Section 94 ERA)	Right not to be unfairly dismissed.	No such right.	No such right.

7. BUSINESS OVERVIEW

	Employee	Worker	Independent contractor
Statutory redundancy pay (Section 135 ERA)	Right to receive a statutory redundancy payment.	No such right.	No such right.
Discrimination (Sections 13 to 27 Equality Act 2010)	Employees have the right not to suffer unlawful discrimination.	Workers have the same rights.	Some individuals may have protection such as office holders, partners, LLP members but not individuals who are permitted to sub-contract work or employ their own staff to do it.
Business transfers (Transfer of Undertakings (Protection of Employment) Regulations 2006) (" TUPE ")	Protection on the transfer of undertakings under TUPE.	Workers may be within the scope of TUPE.	TUPE does not transfer anyone who provides services under a contract for services.
Whistleblowing (Sections 43 to 49A ERA)	Protection for making a protected disclosure (whistleblowing).	Protection for making a protected disclosure (whistleblowing).	No such right.
Employer liability for employee act	An employer is liable for acts done by an employee in the course of their employment.	Employer is likely to be liable for the acts of a worker although ultimately it will depend on the facts of any particular case.	A client is not liable where the alleged wrongdoer is an independent contractor, in business on their own account.
Health and Safety (Health and Safety at Work etc. Act 1974)	Employers owe employees statutory health and safety protection (and at common law).	Workers may be owed statutory health and safety protection, for example under the Working Time Regulations.	Self-employed contractors will have protection for their health and safety on a client's premises. They may be subject to the client's health and safety procedures too and be required to have in place their own health and safety policies and procedures.

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	<u>Employee</u>	<u>Worker</u>	<u>Independent contractor</u>
Trade union membership (Section 152 Trade Union and Labour Relations (Consolidation) Act 1992)	Not to be refused employment because of membership or non-membership of a trade union.	Not to be refused work because of membership or non-membership of a trade union.	No such right.

(ii) The UK's Immigration Rules - recruitment of foreign nationals

The Immigration Rules are made under Section 3 (5) of the Immigration Act 1971. The UK's immigration system applies the same visa rules to EU and non-EU citizens (with the exception of Irish nationals who can work in the UK without permission and European nationals who were resident in the UK before 31 December 2020 and have EU Settled or Pre-Settled Status). Individuals must apply for a visa to be able to live, work or study in the UK before arriving in the UK.

The UK authorities issue a wide variety of working and study visas depending on the person's circumstances and the role they will undertake. Unless the person qualifies for a visa on a personal basis (e.g. through a non-sponsored work route, UK ancestry, a youth mobility scheme or as a spouse/civil partner/unmarried partner of a settled national or other UK residence visa that permits employment), their UK employer will need to sponsor them and support their work visa application under the Skilled Worker or Global Business Mobility route. This requires the UK employer to register as a sponsor, with appropriate systems and internal governance in place. Visa costs also include surcharges for health provision and a government levied skills charge. Different visa categories carry different rights. Some but not all have the ability to remain in the UK and settle permanently.

It is not possible to work in the UK lawfully if the employee does not hold a visa. There are severe penalties for employers who employ illegal employees (e.g. those who do not hold a visa which allows them to work) including a civil penalty of up to £20,000 per illegal worker (which will increase to £60,000 from 31 January 2024) and a criminal offence of 'knowingly employing' an illegal worker, which can in serious occasions lead to an unlimited fine or a custodial sentence for management of up to five years. (Immigration, Asylum and Nationality Act 2006 Section 15).

(iii) Immigration, Asylum and Nationality Act 2006 section 15 - right to work checks

All UK employers must check the immigration status of all new hires before employment commences according to the rules set out by the Home Office. Where employees have a time-limited immigration status, employers must repeat that check before the visa end date to ensure that the employee continues to have the 'right to work'. Conducting a valid check may provide a defence to illegal working claims.

There are severe penalties for employers who employ illegal employees (e.g. those who do not hold a visa which allows them to work) including a civil penalty of up to £20,000 per illegal worker (which will increase to £60,000 from 31 January 2024) and a criminal offence of 'knowingly employing' an illegal worker, which can in serious occasions lead to an unlimited fine or a custodial sentence for management of up to five years.

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(iv) Employment Rights Act 1996 section 1 - Contract of employment

All employees and workers are entitled to a written statement of certain terms and conditions of their job. It must be given to them on, or before, their first day of work. Employees have minimum legal rights for pay, hours of work, vacation, sick pay, family leave, notice on termination and dismissal. These should be included in the written statement of their employment terms or in their contract of employment. Details of any training provided, grievance and disciplinary procedures and other benefits should also be set out in these documents.

Employees who are not provided with written statements of particulars on the first day of work, or at all, are entitled to two to four weeks' pay, depending on the reason for the employer's failure. However, a claim in respect of such failure can only be brought alongside a substantive claim such as unfair dismissal. It cannot be brought as a standalone claim.

Employees and workers are also entitled to receive an itemised statement of pay and deductions with each payment of their wages but there is no financial penalty for not providing this.

(v) Working Time Regulations 1998 Regulation 4 - Maximum working hours

The UK implementation of the EU Working Time Directive, the Working Time Regulations 1998, provides that workers (which includes employees) are protected by a 48-hour maximum working week. Some sectors are exempt from this, as are 'autonomous decision makers' which likely covers senior staff. Workers can opt-out of the maximum working week by signing a statement. They may opt back into the regime at any time, by giving notice to their employer. The UK does not vigorously enforce the maximum working week nor the pan-EU obligation to record the working hours of all staff.

Failure to take reasonable steps to comply with the limits on working time or the record-keeping requirements will render the employer guilty of a criminal offence (regulation 29(1), Working Time Regulations 1998). Such employers are liable to prosecution and a fine (which, since 12 March 2015, is not subject to any statutory maximum either on summary conviction or on indictment) (regulation 29(4), Working Time Regulations 1998). Local authority or Health and Safety Executive (HSE) inspectors may issue "prohibition" or "improvement" notices under their powers in Schedule 3. Non-compliance with such a notice can lead, on conviction on indictment, to a potentially unlimited fine or up to two years' imprisonment (or both) for those ultimately responsible for the non-compliance in the employing organisation. The penalty on summary conviction is a potentially unlimited fine or up to three months in prison (regulation 29(7), Working Time Regulations 1998).

(vi) Working Time Regulations 1998 – Regulation 13 - Holiday entitlement

The Working Time Regulations also provide that full time workers are entitled to a minimum of 28 days' paid holiday each year. In the UK, this can include the eight public holidays the UK has each year. In practice, an employee's holiday entitlement is determined by market standards. Part time workers have pro-rata entitlements to holiday.

Holiday pay is usually based on the employee's average pay over the 52 weeks before the holiday or the number of complete weeks the worker has been employed if this is less than 52 weeks. In certain instances, overtime and commission should be included in average pay.

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Where the employer has refused leave the tribunal must make a declaration and may award such compensation as the tribunal considers just and equitable in all the circumstances, having regard to the employer's default in refusing to permit the worker to exercise their right, and any loss sustained by the worker as a result (regulation 30(3) and (4), Working Time Regulations 1998).

Where an employer has failed to pay (or has underpaid) holiday pay under regulation 16, or pay in lieu of termination under regulation 14, the tribunal must order payment of the amount due (regulation 30(5), Working Time Regulations 1998). The amount due will be the amount of unpaid holiday paid to the employee.

(vii) National Minimum Wage Act 1998

All workers benefit from the national minimum wage. The rates are generally revised on an annual basis taking effect in April each year. Workers can bring a claim against the employer for non-payment of the national minimum wage. Companies can also be guilty of criminal offences by failing to comply with their duties in relation to the national minimum wage.

(viii) Income tax and National Insurance

An employer is primarily responsible for the deduction of employee's income tax and social security contributions from the employee's salary and for the payment of these sums to the UK tax authority, HM Revenue & Customs, on a regular basis. This system is known as Pay As You Earn, or PAYE.

An employer will also be obliged to pay employer's social security (or "national insurance") contributions at a flat rate of 13.8% of the salary (above a minimum limit). In addition, there is a liability for the employer to deduct employee's contributions from the employee's salary.

The tax and social security regimes do not automatically overlap with employment or worker status.

An employer will be liable to pay any owed PAYE payments. The Employer may also be liable to pay a percentage of up to 4% of the total outstanding payment as a late payment penalty depending on the number of years that the payment is overdue.

(ix) Pensions Act 2008 ("PA 2008")

Companies are required to make available an auto-enrolment compliant pension scheme. Employers must provide access to pension arrangements for certain workers (including employees) and must automatically enrol them into qualifying pension arrangements and make minimum contributions with respect to those workers. This is known as auto-enrolment. Workers are able to opt out of the auto-enrolment regime but they must be given the opportunity to re-enrol each year. Both the employer and worker must make contributions.

Other than as described above, employers are not usually obliged to provide a pension scheme for workers or to make contributions to a personal pension plan, but many choose to do so.

The Pensions Regulator enforces compliance with the PA 2008. The Regulator may issue various notices as follows:

- (a) **Compliance notice:** The Regulator may issue a compliance notice to an employer that is in default, directing the employer to take (or refrain from taking) particular steps to remedy the contravention (Section 35, PA 2008).

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- (b) **Third party compliance notice:** If an employer has contravened one or more of the core employer duties and the contravention was wholly or partly a result of another person's failure, the Regulator may issue a third party compliance notice directing the party responsible to take specific steps to remedy the position (Section 36, PA 2008).
- (c) **Unpaid contributions notice:** The Regulator may issue an unpaid contributions notice that directs an employer to pay contributions that are unpaid on the due date (section 37, PA 2008). Interest may be added at a rate of 4.2% plus the increase in the RPI (Regulation 10, Compliance Regulations).
- (d) **Fixed penalty notice:** If an employer or other party fails to comply with one of the above notices, or the Regulator considers the employer auto-enrolment duties are being breached, the Regulator may issue fixed penalty notices (section 40, PA 2008). These may provide for flat-rate penalties of £400 (Regulation 12, Compliance Regulations).
- (e) **Escalating penalty notice:** For more serious or persistent breaches, there is a system of escalating penalties varying according to employer size (section 41, PA 2008). These range from £50 a day for employers with one to four workers to £10,000 a day for those with 500 or more workers (Regulation 13(3), Compliance Regulations).

Certain acts or omissions by an employer can amount to criminal offences. These include a "wilful" failure by an employer to comply with some of the key duties relating to auto-enrolment, re-enrolment, and the jobholder's right to opt in. A person found guilty of one of these offences is liable on conviction to imprisonment or a fine or both (Section 45, PA 2008).

(x) **Benefits – Section 1 Employment Rights Act 1996**

Except for statutory benefits, some of which are summarised in this note, businesses are not legally obliged to provide any benefits such as living allowances, private health care, or death in service benefits. If they do provide benefits, they should be referred to in the employment contract. It is good practice to set out the details of the benefits in an employee handbook or in policies, not in individual employment contracts, as handbooks and policies are easier to amend and change. Details of incentives such as bonuses or commissions should be clearly set out in the contract.

The penalty for providing a non-compliant written statement of particulars is the same not providing a statement, two-four weeks' pay. Identical to the failure to provide a written statement, an employee cannot bring a claim for the failure to provide a compliant statement of particulars in isolation.

(xi) **The Statutory Sick Pay (General) Regulations 1982**

Most employees who are absent from work due to illness or injury are entitled to receive statutory sick pay from their employer for up to 28 weeks in a rolling three-year period. The statutory regime applies where the employee is absent from work for at least four consecutive days. Where an employee is absent for less than four days, they normally receive their salary but the employer can choose not to pay the employee's salary.

If there is a dispute as to entitlement to statutory sick pay, the employee must apply to the HMRC Statutory Payment Dispute Team for a determination.

An employer who unreasonably refuses to pay statutory sick pay to an employee is liable to a penalty of up to £3,000.

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(xii) Maternity and Parental Leave Regulations 1999 - Pregnancy and maternity leave

All female employees qualify for 52 weeks' statutory maternity leave and most will be entitled to statutory maternity pay. This is paid at 90% of the employee's average earnings for the first six weeks of maternity leave, dropping to a statutory minimum for 33 weeks thereafter. Many employers make payments on top of this statutory minimum. During the period of maternity leave, the contract of employment continues, and the employee must continue to receive all her contractual benefits except commission, contractual bonus, wages and salary.

A woman returning to work within the first 26 weeks of maternity leave must be given her former position back or, if she takes the second 26 weeks of maternity leave, she must be given an equivalent job unless the employer can bring itself within certain statutory exemptions. Dismissal on grounds of pregnancy is automatically unfair and would also amount to sex discrimination.

An employee who is deprived of any contractual or discretionary benefits due to having taken maternity leave may (depending on the facts) have one or more of the following claims:

- (a) Deduction from wages (Section 13, Employment Rights Act 1996);
- (b) That she has been subjected to a detriment for a reason connected with any of: pregnancy, giving birth, maternity suspension or taking OML or AML (Regulation 19, Maternity and Parental Leave Regulations and section 47C, Employment Rights Act 1996);
- (c) Breach of contract;
- (d) Automatically unfair dismissal, if there is a serious breach of contract and she treats herself as constructively dismissed (Regulation 20, Maternity and Parental Leave Regulations MPL Regulations and section 99, Employment Rights Act 1996); or
- (e) A claim for pregnancy and maternity discrimination and/or sex discrimination.

Unlawful deductions of wages and breach of contract claims are typically limited to the outstanding payments.

If an employee is automatically unfairly dismissed, they would be entitled to a basic award (identical to a statutory redundancy payment, if they have more than two years' continuous services) and a compensatory award which is intended to compensate the employee for any loss of income between the date of dismissal and the employee finding alternative work on a commensurate salary. Ordinary unfair dismissal awards are capped at the lower of a year's pay or GBP105,707. Automatic unfair dismissal claims, however, are not capped and therefore if an employee could reasonably demonstrate that their losses exceed the statutory cap, such award could be made.

In each case an employee is obligated to mitigate their losses and a failure to do so would reduce the amount of compensation awarded to them.

Discrimination awards usually fall into two categories: losses arising from the discriminatory act and injury to feelings. Similar to compensatory awards in unfair dismissal claims, if loss of salary is attributable to a discriminatory act (i.e. a discriminatory dismissal), an employee could receive an award to compensate them for such losses. Those losses are uncapped. Employees may also receive awards to compensate them for injury to feelings. Awards fall into one of three bands, called Vento bands. Lower band (one off minor acts of discrimination) ranges from £1,100 to

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£11,200. Middle band (one off serious events such as a dismissal or multiple minor discriminatory acts) ranges between £11,200 to 33,700. Upper band (typically campaigns of discriminatory conduct) ranges from £33,700 to £56,200 but is technically uncapped.

(xiii) **Paternity and Adoption Leave Regulations 2002 – Adoption leave**

Similar rules apply for adoption leave as for maternity leave. If the conditions are met, an employee adopting a child will benefit from statutory adoption pay calculated in the same way as statutory maternity pay.

Employees are protected from detrimental treatment and dismissal for reasons connected with their rights to take adoption leave.

If an employment tribunal finds that an employee has suffered a detriment, the tribunal will award such sum that it considers just and equitable having regard to the conduct and to any losses that arise in consequence. These types of claims are rare and typically the award is minimal.

The potential penalty for unfair dismissal in relation to the right to take adoption leave is the same as set out at (xii) above.

(xiv) **Paternity and Adoption Leave Regulations 2002 - Paternity leave**

Eligible employees can take two weeks paid ordinary paternity leave within eight weeks of a child's birth in blocks of a week. Paternity pay is a statutory sum per week or 90% of the employee's average weekly earnings if this is less. Many employers make payments in addition to the statutory minimum.

Penalties for detriment and/or dismissal in relation to paternity leave are the same as set out at (xii) above.

(xv) **Sections 75E to 75K of the Employment Rights Act and the Shared Parental Leave Regulations 2014 - Shared parental leave**

Shared parental leave enables some parents to share leave in the first year of their child's life or in the first year of adoption. Shared parental leave pay is a statutory sum per week or 90% of the employee's average weekly earnings if this is less.

Penalties for detriment and/or dismissal in relation to shared parental leave are the same as those referred to at (xii) and (xiii), above.

(xvi) **Maternity and Parental Leave Regulations 1999 - Unpaid parental leave**

Parents who are employees are entitled to 18 weeks unpaid parental leave per child up to the age of 18 years in blocks of up to four weeks per year.

Penalties for detriment and/or dismissal in relation to adoption leave are the same as those referred to at (xii) and (xiii), above.

(xvii) **Parental Bereavement (Leave and Pay) Act 2018 – Parental Bereavement leave**

Employees who lose a child under the age of 18, or suffer a stillbirth after 24 weeks of pregnancy, are entitled to bereavement leave and may also be eligible for a statutory payment too.

Penalties for detriment and/or dismissal in relation to parental bereavement leave are the same as those referred to at (xii) and (xiii), above.

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(xviii) Disciplinary and grievance matters

Employers should have a disciplinary procedure to deal with any performance or conduct issues that arise and a grievance procedure to deal with employee complaints.

The Acas Code of Practice on Disciplinary and Grievance Procedures ("**Code**") should be considered where the procedure may lead to dismissal for misconduct or poor performance. Failure to follow the Code may affect the amount of compensation which can be awarded by an employment tribunal if an employee brings an unfair dismissal claim.

Section 207A of the Trade Union and Labour Relations (Consolidation) Act 1992 entitles a tribunal to uplift a compensatory award by up to 25% where the failure to comply with the Code was unreasonable. The same legislation entitles a tribunal to reduce a compensatory award by up to 25% where an employee unreasonably fails to comply with the Code.

(xix) Equality Act 2010 - Discrimination

It is unlawful for an employer to discriminate against employees, workers or job applicants because of a protected characteristic. Protected characteristics are: age; disability; race (including colour, nationality or ethnic or national origin); religion or belief; sex; sexual orientation; gender reassignment; marriage and civil partnership; or pregnancy and maternity.

The Equality Act 2010 sets out the different types of discrimination and unlawful conduct that apply to most (and in some cases all) of the protected characteristics. These are direct discrimination, indirect discrimination, harassment and victimisation. In practice, it is necessary to have workplace policies to prevent discrimination and allow complaints to be raised.

Penalties for discrimination are set out at (xii) above.

(xx) Equality Act 2010 section 13 - Direct discrimination

This is where a person is treated less favourably than others because of their protected characteristic. Unlawful discrimination can also occur if someone is thought to have a protected characteristic (other than in the case of marriage and civil partnership, or pregnancy and maternity). An example of direct discrimination is where a woman is paid less than a man for doing the same job because of her sex.

Penalties for discrimination are set out at (xii) above.

(xxi) Equality Act 2010 section 19 - Indirect discrimination

This occurs where a provision, criterion or practice applies to all employees but disadvantages those with a particular protected characteristic (except for pregnancy or maternity). For example, excluding part-time workers from enjoying company benefits is likely to have a disproportionate effect on women as they work more part-time roles than men.

Penalties for discrimination are set out at (xii) above.

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(xxii) Equality Act section 26 - Harassment

Harassment occurs where an individual experiences unwanted conduct in relation to their protected characteristic (other than marriage and civil partnership, or pregnancy or maternity) and it has the purpose or effect of violating the person's dignity or creating a hostile, degrading, humiliating or offensive environment for that person. The focus is on the impact on the victim, not on the intention of the harasser.

Penalties for discrimination are set out at (xii) above.

(xxiii) Equality Act 2010 section 27 – Victimisation

An employee is victimised if they are penalised for making or supporting a complaint or grievance relating to one of the incidents described above.

Penalties for discrimination are set out at (xii) above.

(xxiv) Equality Act 2010 section 20 - Disability and discrimination

An employer is under an obligation to make reasonable adjustments to accommodate the needs of a disabled employee or those of a prospective disabled employee.

Penalties for discrimination are set out at (xii) above.

(xxv) Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2010 (Part-time workers)

Part-time workers have a right not to be subject to less favourable treatment than full-time workers because of their part-time status, unless the treatment can be objectively justified. Part-time workers should receive the same pay, annual leave and benefits at a proportionate rate to a comparable full-time employee.

Penalty

Penalties for less favourable treatment/detriment and unfair dismissal are aligned with those referred to at (xii) and (xiii) above.

(xxvi) Employment Rights Act 1996 - Whistleblowing

The UK has had laws on whistleblowing for some time. Recently, an European Union ("EU") Directive has been introduced which provides that any business or government body operating in the EU must have an internal whistleblowing system to give whistleblowers confidence and enable access to an independent investigation. If an employer has 250 or more workers, they should have established a policy by December 2021. Employees with between 50 and 249 workers must set up a policy by 17 December 2023.

The whistleblowing Directive does not have direct effect in the UK and so there is no penalty for non-compliance. Each member state of the EU (of which the UK is not part of) sets its own penalty for non-compliance.

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(xxvii) Transfer of Undertakings (Protection of Employment) Regulations 2006 - Business transfers

Employees will transfer with their company if the company is bought as a whole company, in a share deal. In the event of an asset deal where only parts of a company are bought, the relevant employees will transfer under the TUPE.

Employers who fail to inform and consult with affected employees in advance of their employment transferring may be liable to pay up to 13 weeks' pay per employee. The starting point is 13 weeks' pay and it is for the employer to persuade a tribunal that the pay per employee should be reduced.

Employees with more than two years' continuous service, whose contracts are terminated because of or in relation to the transfer, may bring claims for automatic unfair dismissal. Such awards include a basic award (equal to a statutory redundancy payment) which is capped until 6 April 2025 at £21,000 and a compensatory award which is uncapped.

(xxviii) Unfair dismissal section 98 Employment Rights Act 1996 ("ERA 1996")

Unfair dismissal will be the dismissal of an employee in contravention of section 98 of the ERA 1996. For a dismissal to be fair it must be for one of the five potentially fair reasons in the ERA 1996 (conduct, capability, redundancy, breach of a statutory restriction or "some other substantial reason"), the employer must follow a fair procedure, and the decision to dismiss must be within the range of reasonable responses open to an employer in the circumstances.

Employees with more than two years' service are entitled to a basic award calculated based on a formula linked to age, length of service and weekly pay. The maximum award is £21,000 if the dismissal is before 6 April 2025.

In addition, employees can claim a compensatory award based on losing their employment which is capped at £115,115 if the dismissal is before 6 April 2025.

(xxix) Health and Safety at Work Act 1974 - Health and safety at work

Employers are responsible for the health and safety of their employees and workers. They owe specific statutory duties to their employees, other people's employees working on their premises and members of the public who are affected by the employer's activities. They are also liable for accidents caused by acts of their employees where the employees were acting in the course of their work. Employers must maintain insurance policies against liability.

Directors and/or senior managers may be liable to up to two years' imprisonment or an unlimited fine if they are found individually liable for a breach of health and safety causing injury.

(xxx) Modern Slavery Act 2015 - Modern Slavery Act requirements

The Modern Slavery Act requires organisations that carry on any part of their business in the UK and have a global turnover of £36 million or more to publish an annual slavery and human trafficking statement on their website. This aims to ensure that businesses are transparent about what they are doing to tackle modern slavery and human trafficking.

There is currently no financial penalty for the failure to publish a statement, however proposals to introduce a penalty have been made by UK government.

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(xxxi) UK General Data Protection Regulation ("UK GDPR")

Post-Brexit the UK adapted the GDPR into UK law, which has consolidated and amended the GDPR to create the UK GDPR. The UK GDPR is the version of the EU General Data Protection Regulation that applies in the UK, and it provides a comprehensive framework for the protection of personal data. The UK GDPR focuses on the concept of accountability where organisations will have to 'demonstrate compliance' and is regulated by the Information Commissioner's Office (the "ICO").

The UK GDPR applies to 'controllers' (a controller determines the purposes and means of processing personal data) and 'processors' (a processor is responsible for processing personal data on behalf of a controller). The UK GDPR applies to processing carried out by organisations operating within the UK, and organisations outside the UK that offer goods or services to individuals in the UK. The UK GDPR places legal obligations on processors (such as maintaining records of personal data and processing activities). Controllers also face specific obligations, including ensuring that contracts with processors comply with UK GDPR.

Article 5 of the UK GDPR sets out a number of principles relating to the processing of personal data, including lawfulness, purpose limitation, data minimisation, accuracy, storage limitation and integrity. A key obligation under the UK GDPR is to ensure that personal data is protected from data breaches through appropriate technical and security measures – a personal data breach involves the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data.

The UK GDPR imposes harsh penalties for non-compliance. Serious breaches of the data protection principles and obligations under the UK GDPR can result in ICO fines of up to £17.5 million or 4% of annual worldwide turnover, whichever is higher (set out in Article 83 of the UK GDPR).

(xxxii) Data Protection Act 2018 ("DPA 2018")

The UK's primary legislation for data protection is the DPA 2018, bringing the General Data Protection Regulation (GDPR) into UK law. The DPA 2018 sets out the rules and regulations for the processing of personal data in the UK, and it grants rights to individuals regarding their personal data. The DPA 2018 aims to empower individuals to take control of their personal data, and to support organisations with their lawful processing of personal data.

Under section 155 of the DPA 2018, the ICO can issue penalty notices (with a maximum financial penalty being the higher of £17.5 million or 4% of annual worldwide turnover as set out in Article 83 of the UK GDPR) for any failures to comply with an enforcement notice issued under section 149 of the DPA 2018. The exact amount of any financial penalty will take into account various circumstances detailed in section 155(3), which include (but are not limited to): the nature, gravity and duration of the failure; whether the failure involved any intentional acts or negligence; and the categories of personal data affected by the failure.

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(xxxiii) Privacy and Electronic Communications Regulations ("PECR")

PECR sits alongside other data protection regulation and serves to regulate electronic marketing, the use of cookies, and the security of public electronic communications services. It is derived from the European Directive 2002/58/EC (the "**e-privacy Directive**").

PECR governs marketing communications by phone, fax, email, text and other electronic means. Different kinds of marketing information face different rules, but generally marketing to individuals faces stricter requirements than marketing to companies. Organisations are often required to obtain specific consent for unsolicited, direct marketing. PECR also sets requirements for the use of cookies and 'similar technologies' on websites. Organisations must set out which cookies have been set, explain what they do, and obtain granular consent to set non-essential cookies.

Currently, the financial penalty for non-compliance with PECR is lower than that of the UK GDPR (ICO fines up to £500,000), though potential future changes to UK data protection law are considering making PECR monetary penalties match those imposed by the UK GDPR.

(xxxiv) UK Customs overview

The below provides a high level overview of the UK customs regime, it is not intended to be exhaustive and does not analyse the impact of these rules on the company's products.

While the UK was an EU Member State its customs rules were governed by the rules of the EU single market, which ensures tariff / friction free trade across all EU member states.

Post Brexit, the UK has put in place its own customs regime via the Taxation (Cross-Border Trade) Act 2018 (TCTA 2018). The TCTA 2018 sets out the framework for the UK government to create a new UK only customs system – e.g. it ensures that the UK government has the powers to introduce secondary legislation to control key issues such as import duty.

Other existing legislation, such as the VAT Added Tax Act 1994 has been amended to take account of Brexit related changes.

The UK-EU trade and co-operation agreement (TCA) is the trade agreement which has been reached between the UK and the EU post-Brexit. One of the most important aspects of this is that it ensures no tariffs or quota restrictions between the UK and the EU.

Key legislation in this area also includes the Customs and Excise Management Act 1979 and the Finance Act 2022.

Key features of the UK customs framework include:

- (i) Import duty – applicable to chargeable goods with a value above £135 at a rate set by the relevant customs tariff for that product;
- (ii) Import VAT – charged on products entering the UK (unless exempt) typically at the current rate of UK VAT (currently 20%); and
- (iii) Excise charges – these are largely applicable to products such as tobacco and alcohol.

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(xxxv) Northern Ireland Protocol

As part of the UK's withdrawal from the European Union, the EU and the UK agreed the Northern Ireland Protocol. This agreement was designed to avoid the need for a land border on the island of Ireland (given that the Republic of Ireland is an EU Member State and Northern Ireland is part of the UK). The Protocol ensures that Northern Ireland still follows and is subject to European Union law relating to issues such as the movement of goods.

Further to the Northern Ireland Protocol, the UK and the EU agreed the Windsor Framework in 2023. The Framework is designed to remove some of the complexity regarding the transport of goods between Northern Ireland and Great Britain. It provides for goods will be put into two separate 'lanes'. Goods entering Northern Ireland from Great Britain that are intended to stay within Northern Ireland are placed in the 'Green Lane'. This Green Lane requires minimal paperwork and products are only subject to physical checks if fraud or non-compliance is suspected. Companies have to be signed up to a new trusted trader scheme to use the Green Lane.

There is a 'Red Lane' for products that enter Northern Ireland but that are destined for the Republic of Ireland and the rest of the EU, and stringent checks remain in place for these goods.

(xxxvi) Product safety

This summary sets out the legislation which is most likely to apply to the business' products and focuses on the security seals sold by the business but also refers to other products such as dunnage inflatable bags / labels, buckles and lashing. It does not analyse each product in detail or assess the business' compliance with this legislation.

Operations / supply chain

The business sells its products on the UK market and is therefore required to comply with the relevant product safety, waste management and health and safety laws and regulations.

The majority of the goods are manufactured in Malaysia. In terms of its UK operations, some goods are imported into the UK and distributed via the UK warehouse. Other goods are distributed directly to suppliers. The goods are sold on a business-to-business basis.

In some cases, the business assembles elements of its products in the UK before sale and then distributes these goods to customers.

Security seals – applicable legislation

Commission Implementing Regulation (EU) 2015/2447(Retained EU law) (the "Regulation").

The Regulation was retained after the UK left the European Union which means that it still has effect in the UK. Article 301 sets out the characteristics and technical requirements that security seals must meet to be accepted in the UK. This is also recorded in IV.2.3.7.3 of the EU's Transit Manual which sets out the practical application of the EU's transit rules. This is still relevant to the UK given that the Regulation has been retained, and the UK also has its own Transit Manual Supplement, which should be followed in addition to the EU's Transit Manual.

The Regulation sets out that security seals which comply with *ISO17712: 2013 'Freight containers — Mechanical Seals'* will be deemed to meet the UK requirements.

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Standards such as this one are product safety frameworks developed by international bodies for manufacturers to follow to achieve compliance. While standards are largely voluntary, some voluntary standards, such as *ISO17712: 2013*, have been referenced in product safety legislation so that following them will satisfy the presumption of conformity. This is a legal concept which, if established, will mean that the product is presumed to be safe and compliant with the relevant product safety legislation. This means that as above, if security seals comply with *ISO17712: 2013*, they will be deemed to comply with the Regulation.

Cordless dunnage bag inflation tool

In relation to this product sold by Mega Fortris (UK) Limited, a high-level assessment (which does not include an assessment of the possible implications of the fact that such product appears to be manufactured by a third party on Mega Fortris (UK) Limited's product safety obligations) indicates that the following product specific regulations could apply to this product:

- (a) EU Machinery Directive - Directive 2006/42/EC / Supply of Machinery (Safety) Regulations 2008 which implemented the EU Machinery Directive in the UK ("**Machinery Regulations**");
- (b) EU Low Voltage Directive - Directive (2014/35/EU) / Electrical Equipment (Safety) Regulations 2016 which implemented the EU Low Voltage Directive in the UK ("**Electrical Regulations**");
- (c) EU Electromagnetic Compatibility Directive - Directive 2014/30/EU / Electromagnetic Compatibility Regulations 2016 which implemented the EU Electromagnetic Compatibility Directive in the UK ("**EMC Regulations**"); and
- (d) Restriction of the use of certain hazardous substances in electrical and electronic equipment Directive 2011/65/EU / Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations 2012 ("**RoHS Regulations**").

The Machinery and Electrical Regulations both set out essential requirements which products which fall within their scope must meet.

A conformity assessment process is required to demonstrate compliance with all of the above regulations.

This means that the manufacturer or in some cases a notified body must complete a conformity assessment to determine whether the product meets the requirements of these regulations. If the product is deemed to be compliant, a declaration of conformity is drawn up. In the EU, a CE marking would then be added to the product and / or packaging (depending on the regulation) to confirm that the assessment has been completed ("**CE Marking**"). For the Great Britain market, there is a separate UKCA marking which confirms that a UK conformity assessment has been completed ("**UKCA Marking**"). As set out above, the UK regulations are currently based on EU Directives and the UK Government has confirmed that it will continue to recognise the CE Marking indefinitely.

Products which meet the definition of machinery under the Machinery Regulations but have electrical components (such as a plug) and fall within the voltage parameters of the Electrical Regulations must meet the essential safety requirements set out in the Electrical Regulations. In such cases, the declaration of conformity does not need to refer to the Electrical Regulations separately (only to the Machinery Regulations).

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The EMC Regulations require products to be designed so as not to generate electromagnetic disturbance beyond acceptable levels and also to have a level of immunity against electronic magnetic disturbance so that they can still perform their intended use. These regulations require a conformity assessment to be completed.

The RoHS Regulations place restrictions on the quantities of hazardous substances which can be added to electrical products (including cadmium and lead). These regulations require a conformity assessment to be completed.

Sanctions

Contravention of the obligations set out in the Machinery, Electrical and EMC Regulations can result in an unlimited fine being imposed on a company.

If an individual is found liable for certain breaches of these regulations (see below), they could be sentenced to up to three months' imprisonment on summary conviction or in the case of the Machinery and Electrical Regulations, up to two years' imprisonment on indictment (for more serious offences tried in the Crown Court).

It is likely that the penalties involved will be most severe if failure to comply with the relevant regulations has resulted in personal injury (such as a product safety incident) or damage to property.

The penalty for contravention of the RoHS Regulations is an unlimited fine – which will again depend on factors such as the severity of the offence.

However, we would stress that the general approach of product safety regulators in the UK is to seek to collaborate with traders in the first instance to rectify any non-compliance within a certain timeframe as opposed to pursuing formal enforcement action. This will particularly be the case where the identified non-compliance is not a safety issue.

In such cases, the Office of Product Safety and Standards (the "OPSS") which is the national regulator for product safety and Trading Standards which operates on a local authority basis to enforce product safety rules, may seek to engage with the company and agree a timeline for compliance, as opposed to pursuing formal enforcement action.

Liability of company officers

In certain circumstances, officers of the company can be held individually liable if it is proven that the company has committed one of the offences set out in this section.

This can occur if the company has committed an offence with the consent or connivance of an officer of the company or if the offence has been committed as a result of the negligence of an officer of the company.

As an example, if an officer of the company knew about non-compliance with the above regulations and failed to rectify this / gave permission for the company to proceed on this basis, they may be found individually liable and could face a fine (separate to that imposed on the company) and a prison sentence as set out above.

Most device and control panel

A high-level assessment indicates that the following product specific regulations could apply to these products:

7. BUSINESS OVERVIEW

- (a) Radio Equipment Directive – Directive 2014/53 / Radio Equipment Regulations 2017 (“**Radio Equipment Regulations**”);

These regulations cover electrical products which emit or receive radio waves and set out essential requirements for them to comply with. These regulations require a conformity assessment to be completed.

The penalty for contravention of the obligations set out in the Radio Equipment Regulations is an unlimited fine and / or up to three months imprisonment for an individual (e.g. a company officer) found liable.

The following regulations covered above are also likely to be relevant:

- (a) EU Electromagnetic Compatibility Directive – Directive 2014/30/EU / Electromagnetic Compatibility Regulations 2016 which implemented the EU Electromagnetic Compatibility Directive in the UK (“**EMC Regulations**”); and
- (b) Restriction of the use of certain hazardous substances in electrical and electronic equipment Directive 2011/65/EU / Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations 2012 (“**RoHS Regulations**”).

General Product Safety Regulations 2005 (“**GPSR**”)– Security seals and other products

This high-level review has not identified any other product specific regulations which apply to the business’ products.

The GPSR applies to all products not covered by product specific regulations. These products are deemed to be lower risk than products covered by product specific regulations and therefore no conformity assessment / CE Marking / UKCA Marking is required.

For security seals, the requirements of both the Regulation (as mentioned above) and the GPSR should be taken account of. In the case of products such as strapping, labels and bags, it is likely that the GPSR will be the most relevant legislation.

The fundamental requirement set out in the GPSR is that producers must not place any product on the market unless it is a “safe product”.

The business will be considered the producer for the purposes of the GPSR given that it is selling the products under its own name and placing them on the UK market.

A safe product means a product which, under normal or reasonably foreseeable conditions of use, does not present any risk or only minimum risks compatible with the product’s use, considered to be accepted and consistent with a high level of protection for the safety and health of persons.

The GPSR are enforced by the OPSS which is the national regulator for consumer products. Trading Standards also have enforcement powers under consumer rights/protection legislation and operates via local authorities (local government in the UK). The OPSS/ Trading Standards usually seek to collaborate with traders in the first instance, for example by seeking to agree planned actions with them to tackle any non-compliance (this could include withdrawing the products from the market or initiating a voluntary recall). However, the OPSS does have the power to bring monetary penalties and prosecutions and order mandatory recalls.

7. BUSINESS OVERVIEW

The penalty for contravention of GPSR is a fine and / or up to three months' imprisonment on summary conviction or a fine not exceeding £20,000 and / or up to 12 months' imprisonment on indictment for any individual found liable.

We would reiterate that the OPSS is most likely to seek to engage with traders in the first instance if non-compliance is identified. Formal enforcement action is most likely to follow if traders fail to cooperate and to agree steps for compliance.

Applicable waste regulations

The business does operate an industrial premise in the UK and so has waste management obligations in this regard. The below summarises the main waste obligations placed on businesses in the UK. It should not be considered exhaustive and does not cover issue such as hazardous waste in detail.

The Environmental Protection Act 1990 sets out the waste duty of care requirements for businesses. This applies to businesses importing / producing or dealing with waste in England and Wales. The duty of care is to take all reasonable steps to ensure that waste is safe include preventing unauthorised or harmful disposal of waste. This includes only transferring waste to authorised persons. Breaching these requirements can lead to criminal prosecutions most likely resulting in fines being issued.

When dealing with waste, businesses must also comply with Waste (England and Wales) Regulations 2011 (there are separate regulations for Scotland and Northern Ireland) which implement the EU Waste Framework Directive 2008/98. This includes complying with the waste hierarchy to ensure that the most emphasis is placed on waste prevention, followed by re-use and recycling, other recovery and lastly disposal only if this is required.

These regulations impose obligations on businesses which produce / transport / dispose of waste. Duty of Care Waste Transfer Notes / Hazardous Waste Consignment Notes (as applicable) are needed when waste is transferred to confirm that the waste hierarchy has been complied with.

In relation to the finished products that the business imports into the UK and those which it assembles and packages in the UK, the Producer Responsibility Obligations Packaging Waste Regulations 2007 (as amended) and the UK's new plastic packaging tax which is set out within the Finance Act 2021, will also be relevant.

The Producer Responsibility Obligations Packaging Waste Regulations 2007 (as amended)

Businesses importing packaged goods into the UK have obligations under these regulations.

Obligated packaging producers are those which:

- (a) handle 50 *tonnes* of packaging (in the previous calendar year)
- (b) *achieve* a turnover in excess of £2 million annually (based on the previous financial year's accounts)

Those classified as smaller producers have lesser obligations under the regulations. Producers have obligations including registering with National Packaging Waste Database either directly or via a compliance scheme, meeting recycling targets, reporting requirements in relation to recovery and recycling of packaging waste and providing consumers with information about the packaging return and recovery options available to them.

7. BUSINESS OVERVIEW

Breaching the regulations can lead to criminal prosecutions (and unlimited fines being issued).

Plastic packaging tax - the Finance Act 2021 / Plastic Packaging Tax (General) Regulations 2022

The UK's plastic packaging tax applied from April 2022 by virtue of the Finance Act 2021.

The tax is applied at a rate of £210.82 per tonne manufactured / imported and applies to packaging composed of less than 30% recycled plastic.

The registration requirement is 10 tonnes of plastic packaging imported or manufactured per year. Producers below this threshold are exempt.

Penalties

Failure to register for the tax or registering late can result in a penalty fine being imposed (in addition to payment of the tax owed). HMRC will consider a series of factors to determine the amount of the fine, including what caused the failure and whether the company voluntarily notified HMRC of the failure.

In circumstances in which a company fails to register and serious non-compliance is then established (without a reasonable excuse), the penalties are:

- (a) a fine of up to £20,000; and/or
- (b) three times the amount of potential tax lost.

An individual found liable could also receive a prison sentence of up to 12 months.

Failing to submit a tax return for the Plastic Packaging Tax will result in a £100 fine in the first instance (in addition to the tax owed), with more severe penalties being imposed for subsequent failures.

Penalties can also be imposed if returns are completed but are inaccurate and for other breaches of the regulations such as failing to keep registration documents up to date.

Waste Electrical and Electronic Equipment Regulations 2013 – Most Device / Control Panel and Cordless Dunnage Bag Inflation Tool

Producers who sell / import electrical equipment are subject to Directive 2012/19/EU / the Waste Electrical and Electronic Equipment Regulations 2013 (the "**WEEE Regulations**").

Under the WEEE Regulations, producers must register with the UK authorities. Small producers who place less than 5 tonnes of electrical equipment on the UK market each year can register directly. Producers who place more than 5 tonnes on the UK market must join a producer compliance scheme.

The WEEE Regulations place obligations on producers, including financial obligations to pay for the management and disposal of waste electrical products. Producers also have reporting obligations to the authorities in this regard.

The penalty for contravention of the requirements set out in the WEEE Regulations is an unlimited fine.

7. BUSINESS OVERVIEW

Health and safety - the Health and Safety at Work etc. Act 1974 (and other applicable regulations)

The main legislation which businesses must comply with is the Health and Safety at Work etc. Act 1974 (the "**Act**"). This sets out the general duty of employers, which is *to ensure, so far as reasonably practicable, the health, safety and welfare at work of all his employees.*

This includes more specific obligations including to provide all necessary training and ensure all plant and machinery are safe.

The Act is supplemented by a series of regulations including:

- (a) Management of Health and Safety at Work Regulations 1999;
- (b) Workplace (Health, Safety and Welfare) Regulations 1992;
- (c) Personal Protective Equipment at Work Regulations 1992;
- (d) Manual Handling Operations Regulations 1992; and
- (e) Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

Completing health and safety risk assessments is a key way in which employees can seek to identify and mitigate any health and safety breaches under the Act / relevant regulations.

Certain machinery such as pressure equipment is also subject to specialised health and safety legislation such as the Pressure Systems Safety Regulations 2000.

The penalties for offences under the Act or contravention of the regulations listed above includes fines and imprisonment (for individuals held liable). The penalties imposed depend on the specific offences or contraventions committed.

At the most severe end, a company held criminally liable for an employee's death can be convicted of corporate manslaughter and face a fine in the range of £180,000 to £20 million.

7. BUSINESS OVERVIEW

7.25.4 Denmark

(i) The Danish Salaried Employees Act Consolidated Act 2017-08-24 no. 1002 ("DSE Act")

Some employment matters are subject to statutory rules applicable to all categories of employees and in other cases the applicable rules depend on the category of employees involved. Salaried employees (white-collar) are i.a. subject to the DSE Act setting out the minimum requirements for this category of employees, while manual workers (blue-collar workers) are usually covered by collective bargaining agreements.

The DSE Act defines salaried employees as:

- (a) commercial and office assistants engaged in selling or buying or carrying out office work or equivalent warehousing work;
- (b) persons whose work consists in providing technical or clinical assistance of a non-craftsman like or non-manufacturing nature, and other assistants carrying out comparable work;
- (c) persons whose work consists exclusively or essentially in managing or supervising the work of others on behalf of the employer;
- (d) persons whose work is primarily of the nature specified in (a) and (b) above.

provided that the individual is employed by the employer for an average of at least 8 hours a week.

The DSE Act ensure, amongst others, that:

- (a) a salaried employee receives salary and other benefit during sickness;
- (b) a sufficient termination notice (up to six months unless a longer period is agreed) is given upon termination of employment by the employer (one-month notice upon termination of employment by the employee); and
- (c) an obligation for the employer to pay compensation for unfair dismissal (after one-year employment). Compensation for unfair dismissal will be based on the employee's length of continuous employment and an assessment of the circumstances of the case and will generally be a maximum amount equal to the salary payable to the salaried employee in half of the notice period. For employees older than 30 years on the date of dismissal, the compensation may amount to up to three months' salary. For employees employed for more than 10 years, the compensation may amount to up to four months' salary, and for employees employed for more than 15 years, the compensation may amount to up to six months' salary.

Further, some employees (shop stewards, in-plant safety representatives, etc.) enjoy special protection against dismissal because such employees may only be dismissed if there are compelling reasons for the dismissal. If dismissed, such employees may be awarded compensation that is significantly higher than the compensation described above. Moreover, special statutes protect employees from being dismissed on grounds of race, ethnic origin, age, disability, pregnancy, etc. Such dismissed employees may be awarded compensation. There is no upper limit on the size of such compensation, but practice suggests that compensation will in general amount to at least 6 months' salary and no more than 12 months' salary depending on the employee's length of continuous employment.

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(ii) Danish Working Environment Consolidated Act 2021-11-16 no. 2062 ("DWE Act")

The DWE Act secure the safety, health and welfare among the workforce and to protect others against risks to safety or health in connection with the activities of employees at work. The DWE Act imposes a general duty on every employer to ensure, so far as is practicable, the safety, health and welfare of its employees at work. The employer must be insured against accidents at work with an insurance company recognised by the state. An employer may also be held liable for negligence and the employer is obligated to report accidents at work.

The DWE Act provides amongst others that in workplaces with up to nine employees, health and safety issues shall be dealt with between the employer and the employees. In undertakings employing more than 10 but less than 35 employees, the employer is obliged to establish a working environment organization with one or more working environment representatives, who are responsible for attending to the daily and overall health and safety tasks in the company.

In undertakings employing more than 35 employees, health and safety is addressed at two levels. Daily tasks are handled by one or more groups consisting of a supervisor and an elected working environment representative while overall health and safety planning and coordination is dealt with by one or more committees.

Non-compliance of the working environment legislation can be punished with a fine or imprisonment of up to two years. The fine is uncapped but usually within the range of DKK 10,000 to 330,000. The size of the fine is determined based on several criteria among others the type of infringement, the extent of the damage, the size of the company and whether the company has previously infringed the rules.

(iii) Implementation of the EU Working Time Directive (2003/88/EC) and the DWE Act

There is no statutory minimum salary level in Denmark, and salary is thus established in the employees' contract of employment. However, collective bargaining agreements normally contain a minimum salary level for the employees covered by these agreements.

There is no general legislation on normal working hours. However, the Danish Act on Implementation of the Working Time Directive 2004-08-24 no. 896 provides that the average working hours per week, including overtime, may not exceed 48 hours in a reference period of 4 months. In respect of non-compliance in this respect, the employee is entitled to a compensation of up to maximum of DKK 50,000.

Furthermore, the DWE Act provides for most employees to have an 11-hour break in any 24-hour period and at least one day off in every seven-day period. In event of non-compliance with this 11-hour break the employer can be punished with a fine.

Hours of work are usually regulated by collective agreement or the individual contract of employment. Most private sector employees work 37 hours a week.

(iv) Danish Customs Act Consolidated Act 2022-01-04 no. 29 ("DCA")

The European Union ("EU") has a customs cooperation between the member states, consisting of a common customs wall, a common custom tariff with common custom rates and freedom from customs for the individual goods within the EU. The customs duty only applies to goods from third countries (non-EU countries) imported into the EU ("**non-EU goods**"), including Denmark. The regulation of customs in Denmark consists of both EU-legislation, primarily Union Customs Code (EU regulation no. 952/2013), as well as national legislation, primarily the DCA.

7. BUSINESS OVERVIEW

Non-EU goods are subject to customs supervision and customs control until they change customs status or leave the EU. All goods arriving from countries or places outside the EU are considered non-EU goods (unless proven otherwise). In Denmark, customs supervision and control are carried out by the Danish Customs Agency (in Danish "Toldstyrelsen").

The basis ("**customs value**") used for purposes of calculating the customs duty is the sum of the price paid for the goods and any related costs, such as insurance or shipping. The customs duty payable is calculated as a percentage ("**tariff**") of the customs value. The tariff depends on the type of goods and origin of the goods being imported. The specific tariff applicable can be found in the integrated customs tariff database of the EU (**TARIC**).

The importer must declare the goods with the Danish Customs Agency in accordance with the DCA and must be able to prove the declared customs value. The importer must therefore provide all the necessary information and documents to the Danish Customs Agency upon importing. To confirm cost elements and trading conditions, the Danish Customs Agency may require certain documents, e.g. transport documents or trade agreements. Where the documents necessary to certify the value or origin of the goods are not available at the time of customs clearance or do not contain the necessary information, a period of one calendar month may be allowed, on request, for the production or correction of the said documents. Documents must be kept, and upon request be made available to Danish Customs Agency, for a period of 5 years from the date of custom clearance.

The Customs Agency may carry out any customs controls they deem necessary to ensure compliance with customs rules, provided that the control has a specific purpose. Failure to comply with the mentioned requirements and duties may result in administrative penalties (of DKK 580), penalties, as well as confiscation of the goods imported and, in more severe cases, imprisonment. In addition to the penalties, the owed customs must be paid.

(v) EU General Data Protection Regulation (2016/679/EU) ("**GDPR**")

The GDPR lays down rules relating to the protection of natural persons with regard to the processing of personal data and rules relating to the free movement of personal data. The GDPR protects the fundamental rights and freedoms of natural persons and, in particular, their right to the protection of personal data.

The GDPR applies to data controllers and data processors. A data controller is defined as a natural or legal person, public authority, agency or other body which, alone or jointly with others, determines the purposes and means of the processing of personal data. A data processor is defined as a natural or legal person, public authority, agency or other body which processes personal data on behalf of the controller.

In Article 5(1) of the GDPR, the general principles relating to processing of personal data are listed. These principles must be complied with prior to any processing of personal data regardless of the categories of personal data processed and the legal basis for such processing. Pursuant to Article 5(2) of the GDPR, the data controller shall be responsible for, and be able to demonstrate compliance with the general principles listed in Article 5(1) of the GDPR (principle of accountability). In order to demonstrate compliance with the general principles and the other rules pursuant to the GDPR, data controllers and data processors prepare extensive written documentation (policies, procedures etc.) in practice and implement such documents within the organisation.

7. BUSINESS OVERVIEW

Among other things, the GDPR entails several data subjects' rights, which the data controller must ensure to comply with e.g., the right to receive information from the data controller about the processing of your personal data, the data subject's right to access personal data about her-/himself, right to rectification, right to deletion etc.

Infringements of certain provisions in the GDPR, e.g., Article 39 regarding the tasks of the data protection officer, are subject to administrative fines up to 10,000,000 EUR, or in the case of an undertaking, up to 2 % of the total worldwide annual turnover of the preceding financial year, whichever is higher.

Infringements of certain other provisions in the GDPR e.g., the above-mentioned Article 5, are subject to administrative fines up to 20,000,000 EUR, or in the case of an undertaking, up to 4 % of the total worldwide annual turnover of the preceding financial year, whichever is higher.

(vi) The Danish Data Protection Act consolidated act no. 2024-03-088 no. 289 ("DDPA")

The purpose of the DDPA is primarily to supplement the provisions of the GDPR. The DDPA lays down supplementary national provisions on the processing of personal data.

Among other things, the DDPA lays down national rules on the processing of data about criminal offences, the Danish social security number (CPR-number) and processing of personal data in an employment context.

Unless a higher penalty is prescribed by other legislation, a fine or imprisonment of up to 6 months shall be imposed on anyone who violates the provisions listed in section 41(1) of the DDPA e.g., Article 5 of the GDPR regarding the general principles on processing of personal data or non-compliance with the provisions in Articles 12-22 of the GDPR regarding data subjects' rights. The same applies to anyone who violates the provisions listed in section 41(2) of the DDPA e.g., non-compliance with an order or a temporary or definitive limitation on processing or the suspension of data flows by the supervisory authority pursuant to Article 58(2) of the GDPR.

Imprisonment of up to 6 months will only be used in very severe cases and has not been used previously in Denmark. According to the preparatory works of the DDPA, there will be grounds for the penalty to increase to imprisonment in cases where, for instance, there is an intentional publication of information worthy of special protection, such as special categories of personal data (sensitive personal data), to a very significant extent.

7. BUSINESS OVERVIEW

7.26 ADDITIONAL DISCLOSURE / OTHER MATTERS

We set out below the subsisting and past rectified material non-compliances of our Group as at the LPD.

7.26.1 Subsisting non-compliance

As at the LPD, there is a non-compliance with the USA's sales taxation rules and regulations involving our subsidiary, Mega Fortris Americas. The non-compliance was due to Mega Fortris Americas' oversight during the COVID-19 period where the focus was on the operations of business and safety of staff. Hence, there were lapses to comply with Mega Fortris Americas' sales ordering and delivery process whereby the resale/sales tax exemption certificates and bill of lading from customers were not obtained for some customers from Florida, Georgia, Louisiana and Texas where sales tax is applicable.

Mega Fortris Americas had in February 2024 enhanced its internal control guidelines to strengthen the sales ordering and delivery process by ensuring the resale/sales tax exemption certificates and bill of lading from customers are obtained before delivery of goods. Mega Fortris Americas will also add one additional headcount to manage and oversee this process.

(a) **Failure to update resale certificates, obtain sales tax exemption certificate and file sales tax returns**

Pursuant to the Wayfair decision in June 2018, an out-of-state seller will have an obligation to collect and remit sales tax from customers in states in which the seller has a physical presence or has established economic nexus once a set level of transactions or sales activity is met.

During the due diligence exercise conducted for the purposes of our Listing, our Group realised that we are not in compliance with the following states' sales taxation rules and regulations during the tax periods for the years of assessment ("YAs") June 30, 2018 through February 29, 2024:

(i) Florida

The Florida Resale Certificates and Direct Pay Permits on file are all expired before the YAs, so the taxable sales and sales tax liabilities reported on the quarterly sales tax returns are currently misstated.

(ii) Georgia

No sales tax returns have been filed during the YAs and Mega Fortris Americas established economic nexus in 2020.

(iii) Louisiana

No sales tax returns have been filed during the YAs. Mega Fortris Americas established economic nexus in 2020.

(iv) Texas

No sales tax returns have been filed during the YAs. In addition to having physical presence in the state via a remote employee until December 2020, Mega Fortris Americas established economic nexus in 2019.

7. BUSINESS OVERVIEW

As at the LPD, our Group is in the midst of obtaining the resale/sales tax exemption certificates and bill of lading from customers, and file sales tax returns. If our Group is not able to obtain the resale/sales tax exemption certificates and bill of lading from customers, the estimated total cost required to be spent by our Group for rectification are as follows:

(i) Florida

The total outstanding sales tax liability, penalty, and interest is estimated to be USD70,510 from January 1, 2021 through February 29, 2024, which is the period covered under Florida's statute of limitations.

(ii) Georgia

The total outstanding sales tax liability, penalty, and interest is estimated to be USD43,490 from January 1, 2021 through February 29, 2024, which is the period covered under Georgia's statute of limitations.

If our Group is unable to obtain exemption certificates to satisfy its sales tax obligations from January 1, 2021 through February 29, 2024, our Group intends to enter into a Voluntary Disclosure Agreement ("**VDA**") with Georgia for sales tax purposes. Under the VDA, the sales tax and interest would be due, but the state would abate late filing and late payment penalties, and as such, the outstanding sales tax exposure is estimated to be USD35,436.

(iii) Louisiana

The total outstanding sales tax liability, penalty, and interest is estimated to be USD15,652 from January 1, 2021 through February 29, 2024, which is the period covered under Louisiana's statute of limitations.

If our Group is unable to obtain exemption certificates to satisfy its sales tax obligations from January 1, 2021 through February 29, 2024, our Group intends to enter into a VDA with Louisiana for sales tax purposes. Under the VDA, the sales tax and interest would be due, but the state would abate the late filing and late payment penalties, and as such, the outstanding sales tax exposure is estimated to be USD12,754.

(iv) Texas

The total outstanding sales tax liability, penalty, and interest is estimated to be USD207,630 from January 1, 2020 through February 29, 2024, which is the period covered under Texas' statute of limitations.

If our Group is unable to obtain exemption certificates to satisfy its sales tax obligations from January 1, 2020 through February 29, 2024, our Group intends to enter into a VDA with Texas for sales tax purposes. Under the VDA, the sales tax would be due, but the state would abate the late filing and late payment penalties and interest, and as such, the outstanding sales tax exposure is estimated to be USD156,702.

7. BUSINESS OVERVIEW

The maximum outstanding sales tax exposure are as follows:

	Without VDA	With VDA
Maximum sales tax exposure	USD337,282 (equivalent to RM1.61 million ⁽¹⁾)	USD275,402 (equivalent to RM1.31 million)
% of Group's PAT for FYE 2023	10.10%	8.25%

Note:

- (1) Computed based on the middle rate quoted by Bank Negara Malaysia as at 29 February 2024 of USD1:MYR4.7630

Our Directors believe that the above will not have material impact to our Group's business operations or financial condition due to the following:

- (i) our Group is in the midst of procuring the resale/sales tax exemption certificates and bill of lading from its customers as at the LPD. If our Group is able to procure all the sales tax exemption certificates, the sales tax exposure is expected to be minimal. At this juncture, our Group is unable to ascertain the actual sales tax exposure as it is dependent on the number of resale/sales tax exemption certificates and bill of lading that it could procure from its customer; and
- (ii) our Group has cash and bank balances (including bank overdrafts) of approximately RM25.72 million, banking facilities of RM112.127 million, and working capital of approximately RM49.81 million as at 31 December 2023.

7.26.2 Past rectified material non-compliances

(a) Failure to obtain Fire Certificate for designated premises pursuant to FSA 1988 in No. 29 Property and No. 56 Property

We have occupied and operated at No. 29 Property and No. 56 Property since 15 April 2011 and 11 January 2021 respectively, not knowing that they were designated premises as specified in FSA 1988 and Fire Services (Designated Premises) (Amendment) Order 1998.

During the due diligence exercise conducted for the purposes of our Listing, our Group realised that both No. 29 Property and No. 56 Property were designated premises which require valid fire certificates issued by the Fire and Rescue Department of Malaysia. As such, we had submitted application for fire certificate for both No. 29 Property and No. 56 Property respectively to the Fire and Rescue Department of Malaysia on 20 July 2023 and 25 October 2023. Upon examination of the premises by the Fire and Rescue Department of Malaysia, we had on 18 September 2023 and 2 November 2023 obtained the fire certificates for No. 29 Property and No. 56 Property respectively. The total cost spent by our Group for rectification is RM112,000.00.

7. BUSINESS OVERVIEW

As at the LPD, our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively is low as our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above. Further, Fire and Rescue Department of Malaysia has provided verbal confirmation that no investigation or action have been and/or will be taken as Mega Fortris has already been issued with the fire certificates. If the Fire and Rescue Department of Malaysia decides to take an action against us for the lack of fire certificate, we may be subject to a fine not exceeding RM50,000.00 or imprisonment for a term not exceeding five years or both. Further, the potential financial penalty represents 0.63% of our Group's PAT for the FYE 2023 which does not have any material adverse impact to our Group's business operations and financial condition. The Fire and Rescue Department of Malaysia also has a general authority to order or direct the owner or occupier of any premises to cease any activities if they are satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

(b) Failure to obtain manufacturing licence for Mega Fortris Security Bags pursuant to ICA 1975

From 2012 to 2019, Mega Fortris Security Bags did not require a manufacturing licence to engage in manufacturing activities as its shareholders' funds were less than RM2,500,000.00.

In June 2019, Mega Fortris Security Bags' shareholders' funds exceeded RM2,500,000.00, but they have overlooked the requirement to obtain that manufacturing licence. During the due diligence exercise conducted for our Listing, our Group realised the omission and has on 15 August 2023 proceeded to apply to MITI for the manufacturing licence. Currently, Mega Fortris Security Bags has a valid manufacturing licence effective from 11 September 2023 for its manufacturing activities carried out at No. 56 Property. The total cost spent by our Group for rectification is RM2,077.00.

As at the LPD, our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively is low as our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above. Further, MIDA has verbally confirmed that they will not investigate or take action as the manufacturing licence has been issued. If MITI and/or MIDA decides to take an action against us for the lack of manufacturing licence, we may be subject to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding six months and to a further fine not exceeding RM1,000.00 for every day during which such default continues. Further, the potential financial penalty is negligible as compared to our Group's PAT for the FYE 2023 which does not have any material adverse impact to our Group's business operations and financial condition.

(c) Failure to obtain printing licence for Mega Fortris Security Bags pursuant to PPPA 1984

Mega Fortris Security Bags acquired one unit of flexo printer in September 2012, and have been using it without a valid printing licence from the Ministry of Home Affairs ("MOHA"). During the due diligence exercise conducted for our Listing, we realised that a valid printing licence is required for the usage of the flexo printer by Mega Fortris Security Bags, and as such had on 20 July 2023 proceeded to apply to the MOHA for the printing licence.

Currently, Mega Fortris Security Bags has a valid printing licence effective from 18 September 2023 for the usage of the flexo printer. The total cost spent by our Group for rectification is RM500.00.

7. BUSINESS OVERVIEW

As at the LPD, our Directors are of the view that the risk of being charged, convicted, penalized and/or compounded retrospectively is low as our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above. Further, the MOHA has provided verbal confirmation that no investigation or action has been and/or will be taken as the printing licence has been issued. If the MOHA decides to take an action against us for the lack of printing licence, we may be subject to imprisonment for a term not exceeding three years or to a fine not exceeding RM20,000.00 or to both and the deposit made under Section 10 of the PPPA 1984 shall be liable to be forfeited. Further, the potential financial penalty represents 0.13% of our Group's PAT for the FYE 2023 which does not have any material adverse impact to our Group's business operations and financial condition.

(d) Failure to obtain industrial licence for management office at No. 29 Property

We occupied and operated at our premises at No. 29 Property since 15 April 2011 with an industrial licence, but without a separate licence for our management office. During the due diligence exercise conducted for our Listing, we realised that we require a separate licence for our management office. We submitted the relevant application for the licence to the MBSA on 2 October 2023 and obtained the relevant licence on 8 November 2023. The total cost spent by our Group for rectification is RM707.00.

As at the LPD, our Directors are of the view that the risk of being charged, convicted, penalized and/or compounded retrospectively is low as our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above. Further, MBSA has verbally confirmed that no investigation or action has been and/or will be taken as we have obtained the necessary licence. If the MBSA decides to take an action against us for the failure to obtain licence for management office, we may be subject to a fine not exceeding RM2,000.00 or imprisonment for a term of not more than one year or both and to a further fine not exceeding RM200.00 for each day during which such offence is continued after conviction. Further, the potential financial penalty is negligible as compared to our Group's PAT for the FYE 2023 which does not have any material adverse impact to our Group's business operations and financial condition.

(e) Failure to obtain industrial licence for Mega Fortris Security Bags' manufacturing activities at No. 56 Property

Mega Fortris Security Bags occupied and operated at its premises at No. 29 Property since 2012 with an industrial licence for its trading activities, but not for its manufacturing activities.

Subsequently on 11 January 2021, Mega Fortris Security Bags relocated its operations to No. 56 Property. During the application process for the new industrial licence at No.56 Property, our Group realised it requires a new industrial licence for both its trading and manufacturing activities carried out at No.56 Property.

Our Group had on 27 December 2021 submitted an application for the industrial licence to the MBSA. Upon submission of building plan and several rounds of queries, Mega Fortris Security Bags had obtained the relevant licence on 10 January 2023. The total cost spent by our Group for rectification is RM2,077.00.

7. BUSINESS OVERVIEW

As at the LPD, our Directors are of the view that the risk of being charged, convicted, penalized and/or compounded retrospectively is low as our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above. Further, MBSA has verbally confirmed that no investigation or action has been and/or will be taken as we have obtained the necessary licence. If MBSA decides to take an action against us for the failure to obtain industrial licence, we may be subject to a fine not exceeding RM2,000.00 or imprisonment for a term of not more than one year or both and to a further fine not exceeding RM200.00 for each day during which such offence is continued after conviction. Further, the potential financial penalty is negligible as compared to our Group's PAT for the FYE 2023 which does not have any material adverse impact to our Group's business operations and financial condition.

(f) Failure to obtain Fortrich Manufacturing's industrial licence at No. 29 Property

Fortrich Manufacturing occupied and operated at No. 29 Property since September 2018 without a valid licence from MBSA. During the due diligence exercise conducted for our Listing, our Group realised that Fortrich Manufacturing requires an industrial licence from MBSA in respect of its operations at No. 29 Property. We submitted the relevant application for the industrial licence to the MBSA on 2 October 2023 and have obtained the licence on 8 November 2023. The total cost spent by our Group for rectification is RM1,367.00.

As at the LPD, our Directors are of the view that the risk of being charged, convicted, penalized and/or compounded retrospectively is low as our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above. Further, MBSA has verbally confirmed that no investigation or action has been and/or will be taken as we have obtained the necessary licence. If MBSA decides to take an action against us for the failure to obtain industrial licence, we may be subject to a fine not exceeding RM2,000.00 or imprisonment for a term of not more than one year or both and to a further fine not exceeding RM200.00 for each day during which such offence is continued after conviction. Further, the potential financial penalty is negligible as compared to our Group's PAT for the FYE 2023 which does not have any material adverse impact to our Group's business operations and financial condition.

(g) Failure to register as scheduled wastes generator and notify the Director General of Environmental Quality ("DGEQ") of scheduled wastes generated at No. 29 Property and No. 56 Property

Mega Fortris Security Bags moved its operations from No. 29 Property to No. 56 Property on 11 January 2021, and have generated scheduled wastes at No. 56 Property without registration / notification to the Department of Environment ("DOE") / DGEQ.

During the due diligence exercise conducted for the purposes of our Listing, our Group sought clarification from the DOE if Mega Fortris Security Bags is allowed to rely on Mega Fortris registration as a scheduled wastes generator at No. 29 Property or otherwise required to register separately on its own. The DOE verbally confirmed that Mega Fortris Security Bags is required to register separately. Mega Fortris Security Bags proceeded to register with the DOE on 6 October 2023 and notified the DGEQ on 6 October 2023 of the scheduled wastes generated at No. 56 Property.

Besides that, Mega Fortris also generates other scheduled wastes in negligible quantity which were not previously registered and notified to the DOE due to the very small amount generated. During the due diligence exercise conducted for the purposes of our Listing, we realised that all scheduled wastes have to be registered and notified to the DOE and DGEQ respectively regardless of the amount generated. Subsequently, we have on 15 December 2023 registered and notified the DOE of all scheduled wastes generated at No. 29 Property. The total cost spent by our Group for rectification is RM23,500.00.

7. BUSINESS OVERVIEW

As at the LPD, our Directors are of the view that the risk of being charged, convicted, penalized and/or compounded retrospectively is low as our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above. Further, DOE has verbally confirmed that no investigation or action has been and/or will be taken as Mega Fortris and Mega Fortris Security Bags have already registered with DOE and notified the DGEQ. If the DOE decides to take an action against us for the lack of registration and notification, we may be subject to a fine not exceeding RM20,000.00 or imprisonment for a period not exceeding two years or to both. In any case, the potential financial penalty represents 0.13% of our Group's PAT for the FYE 2023 which does not have any material adverse impact to our Group's business operations and financial condition.

(h) Failure to obtain approval to install machineries from DOSH pursuant to FMA 1967

From April 2011 to April 2014, Mega Fortris occupied and operated at No. 29 Property without DOSH's approval for its installed machineries. After obtaining DOSH's approval on 25 April 2014, Mega Fortris continued to install new machineries at No. 29 Property without realising that additional approvals from DOSH are required. During the due diligence exercise conducted for our Listing, Mega Fortris was informed that DOSH's approvals are required and proceeded to apply to DOSH for approval on 15 August 2023, and obtained the same on 21 August 2023.

From January 2021 to June 2023, Mega Fortris Security Bags also occupied and operated at No. 56 Property without DOSH's approval for its installed machineries. During the due diligence exercise conducted for our Listing, Mega Fortris Security Bags was informed that DOSH's approvals are required and proceeded to apply to DOSH for approval on 25 May 2023, and obtained the same on 5 June 2023.

As at the LPD, our Directors are of the view that the risk of being charged, convicted, penalized and/or compounded retrospectively is low as our Group has not received any notices, penalties, or compounds from the relevant authorities in relation to the above. Further, DOSH has verbally confirmed that no investigation or action has been and/or will be taken in view that both Mega Fortris and Mega Fortris Security Bags have already obtained the necessary approvals from DOSH. If DOSH decides to take an action against us for the failure to obtain the necessary approvals, we may be subject to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding three years or to both. In any case, the potential financial penalty represents 0.94% of our Group's PAT for the FYE 2023 which does not have any material adverse impact to our Group's business operations and financial condition.

(i) Immigration Search on No. 29 Property in April 2022 pursuant to Section 51(1) of the Immigration Act 1959/63 ("IA 1959/63")

On 8 April 2022, the Immigration Department conducted a search at No. 29 Property and found 30 foreign workers without a valid working permit present at No. 29 Property in breach of Section 55E of the IA 1959/63. These 30 foreign workers were recruited from two third-party agents (both uncontactable) who misrepresented to us that the foreign workers possess valid working permits / approvals to work in Malaysia.

On 20 February 2023, our solicitors wrote representations to the Immigration Department. Its deputy public prosecutor replied on 22 February 2023, and thereafter proceeded to issue a Notice of Charge dated 27 February 2023 to our senior manager, Ng Meng Tatt @ Suffian Ng Bin Abdullah (who was named in the raid form pursuant to Section 51(1) of IA 1959/63 dated 8 April 2022) for allowing 30 foreign workers without a valid working permit to be present at No. 29 Property.

7. BUSINESS OVERVIEW

At the hearing on 7 March 2023 at Mahkamah Sesyen Khas PATI, Semenyih, Ng Meng Tatt @ Suffian Ng Bin Abdullah pleaded guilty and the Session Court Judge sentenced him to a fine of RM5,000.00 for each prohibited foreign worker and if not paid, imprisonment for a period of 12 months effective from the date of hearing. A total fine of RM150,000.00 was paid on 7 March 2023. No other proceedings were initiated against Mega Fortris.

We have since via our solicitors issued letters of demand dated 4 September 2023 to both third-party agents respectively at their last known addresses for breach of contract. As at the LPD, there is no reply from the third party agents.

As at the LPD, our Directors are of the view that there will not be any material adverse impact to our Group's business operations and financial condition as the loss of foreign workers has not caused any disruptions to our manufacturing activity. Further, we have ceased to hire any foreign worker from third-party agents since April 2022 whereby foreign workers are directly hired by us under a strict human resource policy.

7.26.3 Internal control system of our Group

Our Board has implemented the following measures to enhance the internal control system of our Group and to prevent the recurrence of the non-compliance incidents set out above:

- (i) on 20 October 2023, we have established, among others, our Audit Committee and Sustainability and Risk Management Committee. Our Audit Committee's terms of reference which set out its duties and obligation include overseeing our Group's internal control framework to ensure operational effectiveness and efficiency and encourage legal and regulatory compliance. Our Sustainability and Risk Management Committee's terms of reference include reviewing the risk management framework and its related policies within our Group, ensuring the infrastructure, resources and systems are in place and adequate for risk management, and that processes for the identification, measurement and analysis, reporting, and mitigation of risks are in place. Please refer to Sections 5.3.2 and 5.3.5 of this Prospectus for further details on the composition and function of our Audit Committee and Sustainability and Risk Management Committee respectively.
- (ii) we have established policies, procedures and guidelines to manage compliance risk. Such policies, procedures and guidelines include (a) attending trainings to keep abreast with the new/ changes in laws governing the Group's business, (b) having a compliance framework that allows our Group to monitor its status of compliance to relevant rules and regulations, and (c) requirement to conduct due diligence to identify any relevant rules and regulations that our Group needs to adhere to when venturing into a new country or place of operation.

Further, our policies, procedures and guidelines include a compliance framework to ensure that our Group's compliance matters are effectively managed with responsible stewardship and it also serves as our Group's commitment to uphold proper compliance management. The framework sets out the roles and responsibilities, compliance obligations register, and procedures on managing compliance issues and incidents, to ensure strict compliance to all relevant rules and regulations. The implementation of such measures is overseen by our Board and the Executive Committee ("EXCO") that consist of the Chief Executive Officer, Executive Directors, Group Chief Operating Officer and Group Chief Finance Officer. The compliance framework has been approved by our Board on 6 February 2024 and implemented with immediate effect upon our Board's approval.

7. BUSINESS OVERVIEW

- (iii) we have redesignated Ng Foong Yuon as our Compliance Director effective from 1 January 2024 to ensure that compliance management practices are guided by the compliance framework and are effectively enforced, including periodic reporting on the compliance management practices effectiveness and potential non-compliance issues to the EXCO, the Audit Committee and the Sustainability and Risk Management Committee on a monthly and quarterly basis, respectively.
- (iv) our Group has also established an Internal Control Guidelines (“**ICG**”), a set of procedures that establishes key controls to enhance operational efficiency, mitigating risks, fostering transparency, and safeguarding the interests of our shareholders. This ICG was implemented across all our entities on 21 November 2023. The guidelines encapsulate key controls across various functions, including procurement, marketing, inventory management, finance, and more.
- (v) after Listing, our Group will appoint internal control consultants to conduct independent assessment on the adequacy and effectiveness of our Group’s internal control and risk management systems and shall report directly to our Audit Committee and Sustainability and Risk Management Committee. Our Group will also engage professionals where necessary to provide trainings to our Directors and employees to develop a clear understanding of matters pertaining to corporate governance, risk management, internal controls and compliance to enhance our Group’s policies and processes and implementation of the same.

7.27 MANAGEMENT SUCCESSION PLAN

Succession planning plays an important role in ensuring business and leadership continuity in our Group. It is a continuous process where we develop our pool of internal employees for further job responsibilities and supervisory roles in our Group. Our Executive Directors play instrumental role in selecting and identifying key competencies and requirements for our management and more senior positions.

We take a continuous approach in addressing succession planning to ensure that our Group has available talent to undertake leadership positions should the need arises. Our middle management is exposed to various aspects of our business activities in order to gain knowledge and at the same time, have a better understanding of the necessary responsibilities required of them in key management positions.

7. BUSINESS OVERVIEW

7.28 EMPLOYEES

The number of employees of our Group as at the LPD is as follows:

Country	Production				Non-production				Total no. of employees
	Direct	Indirect	Quality Assurance	Design and Development	Management	Sales and customer support	Finance and Administration	IT and Technical	
Malaysia	318	20 ⁽¹⁾	21	3	17	31	42	23	475
Singapore	-	-	-	-	1	3	-	-	4
Hong Kong ⁽²⁾	-	-	-	-	-	-	-	-	-
Denmark	-	-	-	-	1	2	-	-	3
UK	2	2	-	-	6	8	1	1	20
Hungary	2	-	-	-	4	2	-	-	8
France	1	1 ⁽³⁾	-	-	-	1	-	-	3
Dubai	-	-	-	-	1	2	2	-	5
Netherlands	-	-	-	-	1	2	-	-	3
USA	4	1	-	-	2	3	1	-	11
Australia	-	-	-	-	1 ⁽⁴⁾	1	1	-	3
New Zealand	-	-	-	-	1	2	1	-	4
Total no. of employees	327	24	21	3	35	57	48	24	539

Notes:

- (1) Including six contract production workers.
- (2) There are no employees in Hong Kong who are under our payroll as we are using third party agent to manage our Hong Kong's operations.
- (3) A part-time employee.
- (4) A contract non-production worker.

As at the LPD, our employees do not belong to any union and are not parties to any collective agreements. Further, we have not experienced any major industrial disputes in the past.

8. IMR REPORT



21 March 2024

The Board of Directors
Mega Fortris Berhad
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Kota Kemuning, Seksyen 31,
40460 Shah Alam
Selangor

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Dear Sir/Madam

Independent Assessment of the Security Seal Industry

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of Mega Fortris Berhad for the listing of its shares on the Main Market of Bursa Securities. We have prepared this report independently and objectively and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research as at the date of this report. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from the University of New South Wales, Australia and a degree in Master of Business Administration from the New South Wales Institute of Technology (now known as the University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and the Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad.

8. IMR REPORT



Date of Report: 21 March 2024

INDEPENDENT ASSESSMENT OF THE SECURITY SEAL INDUSTRY

1. INTRODUCTION

- Mega Fortris Berhad, together with its subsidiaries individually or collectively (herein referred to as Mega Fortris Group) is involved in the design and manufacture of security seals as well as trading of related products and services, with manufacturing facilities in Malaysia, and sales and technical support offices in Malaysia and 11 foreign countries in the Europe, Asia Pacific, Americas and Middle East regions.
- This report focuses on security seals used in the transportation and storage of goods, and excludes specialised seals designed for pharmaceutical and food products such as caps and covers for bottles, tubs and cans, where the primary focus is on safety considerations rather than security. In this report, references to gross domestic product (GDP) refer to nominal GDP unless stated otherwise. This report primarily discusses the 3-year compound annual growth rate (CAGR) data as it represents a more recent industry performance compared to the 5-year CAGR. Nevertheless, 3-year and 5-year CAGR data are provided.

2. SECURITY SEALS

- A security seal is a device intended to detect tampering or unauthorised entry into the sealed item. Most security seals are designed for single-use only, except for electronic seals which may be reusable.

2.1 Key features of security seals

- Security seals are designed to secure and protect the integrity of goods within an enclosure after being secured and before being used or accessed. They incorporate **tamper-evident** mechanisms and features that provide clear visual indications of interference if a product or package has been tampered with, altered or accessed without authorisation. This includes, among others, the use of materials that break, tear or shatter upon any tampering attempt, one-off locking mechanisms, and tamper-evident ink that changes colour when tampered. As such, the removal of a security seal typically results in permanent and irreversible damage to the seal.
- Security seals are often used to seal packages, tote boxes, doors of containers, trailers and trucks, and other access points during transportation and storage. They may act as a **physical barrier** against any unauthorised entry. Their effectiveness as a physical barrier is, however, influenced by factors such as the tensile strength, material composition and locking mechanisms of the security seal used.
- Security seals are an integral part of the chain of custody in the supply chain. They often have features that allow for **traceability** such as unique serial numbers, barcodes or quick response (QR) codes to enable tracking of individual products or shipments. Some security seals may incorporate **electronic tracking and monitoring** capabilities, typically through radio-frequency identification (RFID) or global positioning system (GPS) technologies. Security seals with RFID technology are primarily used for identification and tracking of goods within a short to medium range, while those incorporating GPS technology are used for real-time, continuous tracking and monitoring of the precise geographic location of goods.

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- Security seals are used across a wide range of industries where the integrity and security of goods after being secured and before being used or accessed are crucial. This includes industries such as, among others, manufacturing, logistics, pharmaceuticals, food and beverages, gaming, financial, wholesale and retail, and government sectors.

2.2 Security level of security seals

- Security seals can be broadly classified according to their security levels namely, high-security level, security level and indicative level, as follows:

Security level	Minimum force*	Characteristics, common applications and examples
High-security level seal	10.0 kilonewton (kN)	<ul style="list-style-type: none"> made of durable and tamper-resistant materials such as high-strength steel or alloy with the intent to delay intrusion and generally requires specialised tools such as bolt cutters or cable cutters for removal of seal; provides a high level of security and tamper evidence, and is commonly used for securing high-value or high-risk goods such as hazardous materials, defence goods or pharmaceuticals; and common examples include container seals, cable seals and bar seals.
Security level seal	2.3kN	<ul style="list-style-type: none"> made of materials such as hardened steel or high-strength plastic that provide limited resistance to intrusion and typically require lightweight tools for removal of seal; provides a higher level of security than indicative level seals and tamper evidence, which is suitable for securing goods requiring a moderate level of security such as general cargo; and common examples include cable seals and metal strap seals.
Indicative level seal	Less than 2.3kN	<ul style="list-style-type: none"> made of materials that can be easily broken by hand or by using a simple snipping or shearing tool such as pliers or scissors; provides evidence of tampering or unauthorised access with little physical security, and is commonly used for low-value and low-risk goods such as packaging materials and consumer goods with minimal security requirements; and common examples include plastic seals.

* As per the International Organization for Standardization (ISO) 17712 for the classification, acceptance and withdrawal of mechanical freight container seals, which may differ from other definitions (Source: ISO). **Notes:** (1) The minimum force in kN is the minimum tensile strength or resistance before a seal breaks. One newton is defined as the force required to accelerate an object with a mass of one kilogram at a rate of one meter per second per second. (2) The above ISO classification is for mechanical freight container seals but is sometimes also used as an indication of the security level of seals for other applications.

Mega Fortris Group is involved in the design and manufacture of high-security level, security level and indicative level security seals.

- The primary consideration in the selection of a security seal is the performance requirements for the intended application, which will determine the security level required of the security seal. Generally, indicative seals are suitable for applications where only an indication of entry is required, and where physical prevention of entry is not the top priority. In situations where a physical barrier is necessary to prevent entry or access, a security level or high-security level seal is used. Custom authorities worldwide often set specific security standards that must be met by businesses engaged in cross-border trade. Many custom regulations worldwide require the use of high-security level seals for cross-border cargo transportation.

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2.3 Common types of security seals

- Security seals come in various designs. The choice of design depends on the level of security required, the specific application, and the conditions to which the seal will be exposed. Some of the common types of security seals are as follows:

- **plastic seals** are primarily composed of plastic materials mainly polypropylene. They are lightweight and versatile, thus used in a wide range of applications;

- **cable seals** consist of steel cables threaded through metal or plastic body parts and secured by a locking mechanism. They are flexible, variable in length and offer a degree of resistance to cutting;

- **container seals** consist of a metal bolt or pin, usually made of materials such as stainless steel or carbon steel encased in a protective casing made of metal or high-strength plastic. They are designed for sealing shipping containers;

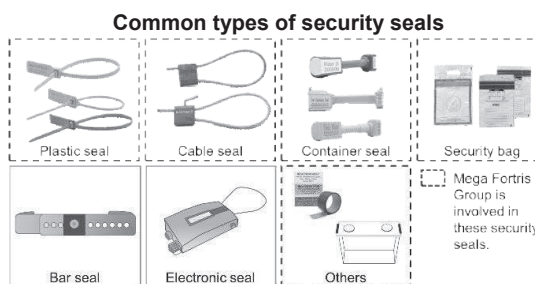
- **security bags** are tamper-evident bags made of mainly polyethylene, that are designed for transporting valuable, dutiable or confidential items such as cash, duty-free goods, important documents, evidence or medical samples;

- **bar seals** are heavy-duty seals made of materials such as steel or alloys, which provide the strength and durability to withstand attempts of tampering or unauthorised access. They are suitable for applications requiring a high level of security, such as safeguarding valuable, hazardous or sensitive goods;

- **electronic seals (e-seals)** combine conventional security seal elements with electronic characteristics to enhance seal integrity, store data and provide real-time communication and information. They typically have unique identification codes and read/write user memory capabilities. E-seals utilise various communication technologies such as infrared signals, radiofrequency (RFID) or other wireless communication technologies. Their status is usually manually inspected with a mobile reader including smartphones or tablets. Seal checking and reporting may also be automated to minimise human intervention, where the status of the seal is immediately detected when it passes through a gate; and

- **others** including, among others, metal strap seals, wire seals, padlock seals, meter seals as well as tamper-evident labels, tapes, bottles and containers that provide clear visual indications once removed or tampered.

Mega Fortris Group is involved in the design and manufacture of security seals including plastic seals, cable seals, container seals and security bags.



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2.4 Common materials used in the manufacturing of security seals

- Generally, the selection of materials used in the manufacture of security seals involves considerations such as toughness and durability, frangibility (ability to break or shatter under pressure or impact), cost-effectiveness, resistance to environmental factors such as moisture, salty sea air and chemicals, weight considerations, recyclability and biodegradability. Some of the common materials used for security seals include, among others, the following:
 - **plastic**, mainly polypropylene in copolymer and homopolymer forms, is often used to form the main body of plastic seals or the casing of container seals and cable seals. It is lightweight, cost-effective and can be moulded into various seal designs, making it suitable for a wide range of security applications. Polypropylene is generally recyclable, but not biodegradable. However, its biodegradability can be improved with the incorporation of certain additives to enhance its reactivity to environmental factors which promotes decomposition into natural compounds or elements over time;
 - **acetal plastic**, a thermoplastic material, is commonly used in the inserts of plastic security seals due to its frangibility. When pressure is applied, acetal plastic is designed to fracture or break, thus enhancing tamper-evident features. In addition, it provides some resistance against tampering by heat and force, as compared to other plastics. It is recyclable but not biodegradable;
 - **steel**, including stainless and carbon steel, is often used in the locking mechanisms and cores of security seals, especially for cable seals and container seals. The use of steel components provides strength and durability to resist tampering or unauthorised access. In applications where corrosion resistance is crucial, such as those exposed to extreme environmental conditions, stainless steel is the preferred material due to its corrosion-resistant properties. Conversely, carbon steel is commonly used in applications where high strength is a priority, and corrosion resistance is not as critical; and
 - **aluminium** is often used as the body of cable seals as it is lightweight, corrosion-resistant and durable. The lightweight nature of aluminium is particularly beneficial in applications where minimising weight is essential. Additionally, its corrosion-resistant properties make it suitable for use in diverse environmental conditions.

Mega Fortris Group uses all of the above materials in the manufacture of their security seals.

3. PERFORMANCE OF THE SECURITY SEAL INDUSTRY

3.1 Demand dependencies

- Security seals are essential to ensure the security and integrity of goods after being secured and before being used or accessed. Factors influencing the demand for security seals include, among others, **economic and trade activities** including **container throughput through ports**. Higher economic activities would stimulate the production and consumption of goods, which increases the production, storage and movement of goods, thus driving the need for goods to be secured between production and usage or access. Importers and exporters rely on security seals to safeguard goods against tampering, theft and unauthorised access during cross-border trades. Container throughput measures the volume of containers handled at ports, and containers require security seals to ensure the security and integrity of goods. As such, growth in economic and trade activities including container throughput through ports will increase the demand for security seals.

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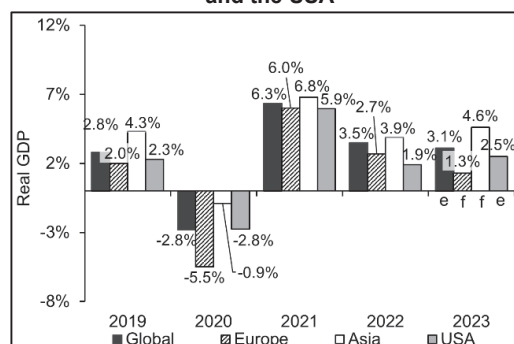


- This section focuses on the demand dependencies of security seals in Europe, Asia and the United States of America (USA), as Mega Fortris Group mainly serves customers in these locations. Europe includes countries in Eastern and Western Europe, while Asia includes countries in Central Asia, East Asia, South Asia and Southeast Asia.

3.1.1 Economic performance of the global economy, Europe, Asia and the USA

- In 2022, the real GDP of the global economy, Europe, Asia and the USA grew by 3.5%, 2.7%, 3.9% and 1.9% respectively, which were slower compared to 2021. The deceleration was attributed to among others, the Russia-Ukraine conflict, economic slowdown in China and higher inflation worldwide which triggered a sharp tightening in global financial conditions.
- In 2023, the real GDP of the global economy is estimated to grow by 3.1%, with the USA estimated to grow by 2.5%. Meanwhile, Europe and Asia are projected to experience real GDP growth rates of 1.3% and 4.6% in 2023 respectively (Source: Vital Factor analysis).

Real GDP of the global economy, Europe, Asia and the USA



e = estimate; f = forecast.

(Source: Vital Factor analysis)

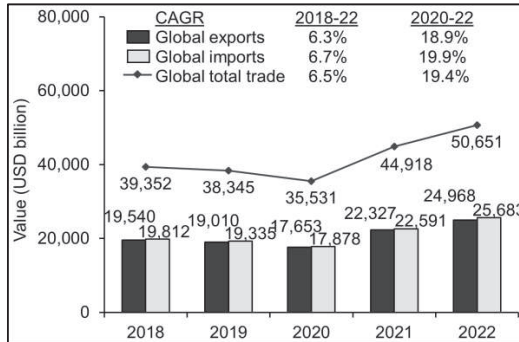
3.1.2 Trade performance of the global economy, Europe, Asia and the USA

- In 2022, the merchandise export value in Europe, Asia and the USA accounted for 35.0%, 36.4% and 8.3% of the global merchandise exports respectively, while the merchandise import value in Europe, Asia and the USA accounted for 36.2%, 33.7% and 13.1% of the global merchandise imports respectively (Source: Vital Factor analysis).
- Between 2020 and 2022, global merchandise exports and imports grew at a CAGR of 19.4%, while Europe, Asia and the USA have been increasing at CAGR of 17.5%, 17.9%, and 19.1% respectively. Overall, in 2022, global merchandise exports and imports grew by 12.8%. The USA experienced the highest growth of 15.9%, followed by Europe and Asia with growth rates of 12.2% and 8.4% respectively. The continuing growth in trade value will serve as the platform for increased demand for security seals.
- In the first 9 months (9M) of 2023, global merchandise exports and imports experienced a decline of 5.9%, while Europe, Asia and the USA declined by 2.5%, 9.0% and 5.4% respectively, compared to the 9M 2022. The decline in global trade was primarily influenced by diminished demand in developed nations, underperformance in East Asia economies, and a decrease in commodity prices, resulting in a contraction of trade of goods (Source: Vital Factor analysis).

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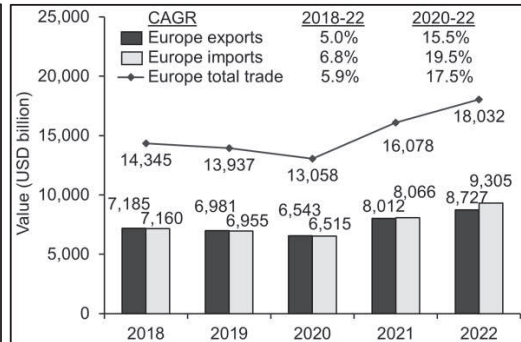


Global merchandise exports and imports



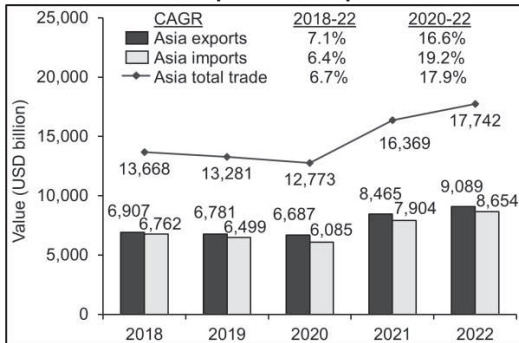
Latest data available. (Source: Vital Factor analysis)

Merchandise exports and imports in Europe



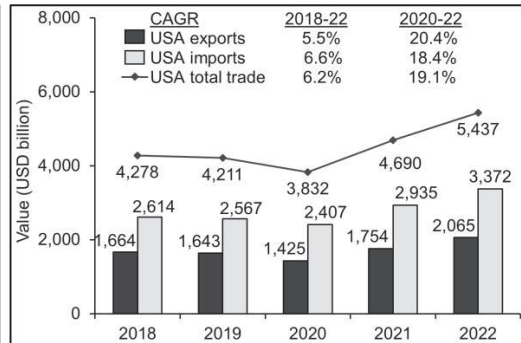
Latest data available. (Source: Vital Factor analysis)

Merchandise exports and imports in Asia



Latest data available. (Source: Vital Factor analysis)

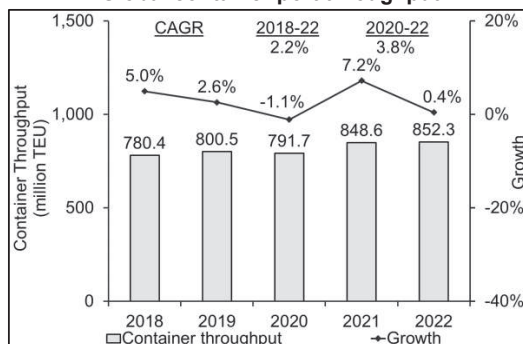
Merchandise exports and imports in the USA



Latest data available. (Source: Vital Factor analysis)

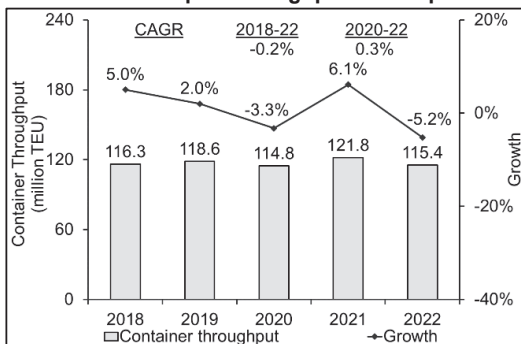
- In 2022, the container port throughput globally, in Asia and the USA experienced moderated growth of 0.4%, 1.8% and 0.1% respectively, while Europe declined by 5.2%.
- The overall moderated growth reflected the normalisation that followed the market surge in 2021. Among the factors that influenced the weak growth in global container port throughput included among others, weaker global economic growth, high inflation impacting consumer spending, disruption caused by the war in Ukraine, and strict COVID-19 containment measures affecting the economic and trade performance in China (Source: Vital Factor analysis).

Global container port throughput



Latest data available. (Source: Vital Factor analysis)

Container port throughput in Europe

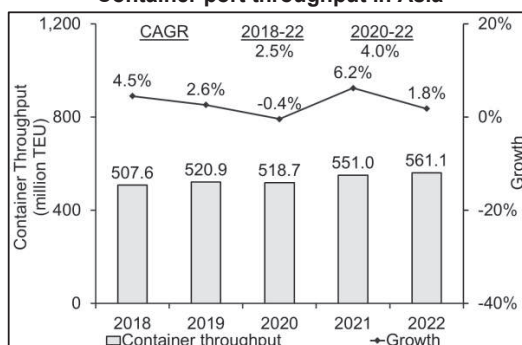


Latest data available. (Source: Vital Factor analysis)

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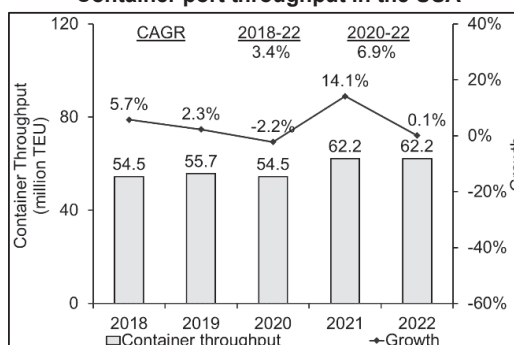


Container port throughput in Asia



Latest data available. (Source: Vital Factor analysis)

Container port throughput in the USA



Latest data available. (Source: Vital Factor analysis)

3.2 Supply dependencies

3.2.1 Input material prices

- The prices of input materials will affect the production costs for operators in the security seal industry. Some of the main input materials include, among others, plastics mainly propylene, and metal components made of carbon steel, stainless steel and aluminium. In 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.

Average prices of polypropylene, carbon steel, stainless steel and aluminium

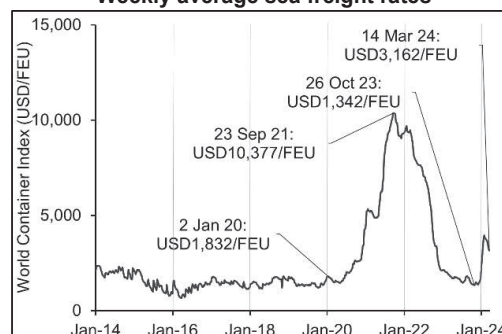
	USD/kg	USD/tonne			
	Polypropylene ⁽¹⁾	Wire rod ⁽²⁾	SS bright drawn bar grade 304 ⁽³⁾	SS bright drawn bar grade 316 ⁽³⁾	Aluminium ⁽⁴⁾
2019	1.26	624	n.a.	n.a.	1,794
2020	1.23	574	2,960	4,048	1,704
2021	1.60	918	3,904	5,231	2,473
2022	1.66	1,028	5,039	6,637	2,705
2023	1.26	783	4,377	6,203	2,256
2019-23 CAGR	-	5.9%	n.a.	n.a.	5.9%
2021-23 CAGR	-11.2%	-7.6%	5.9%	8.9%	-4.5%

SS= stainless steel; n.a.= not available. **Notes:** (1) Based on Southeast Asia polypropylene prices. (2) Based on global carbon steel wire rod prices. (3) Based on global stainless steel bright drawn bar prices. Generally, prices for stainless steel grade 316 are more expensive than grade 304. (4) Based on settlement prices of unalloyed primary ingots, high grade, minimum 99.7% purity. (Source: Vital Factor analysis)

Weekly average sea freight rates

3.2.2 Sea freight rates

- A large proportion of Mega Fortris Group's products are exported. As such, sea freight rates have an impact on the overall cost of doing business.
- The sea freight rate has been high since 2020 and reached its peak in September 2021 mainly due to the global supply chain disruption



(Source: Vital Factor analysis)

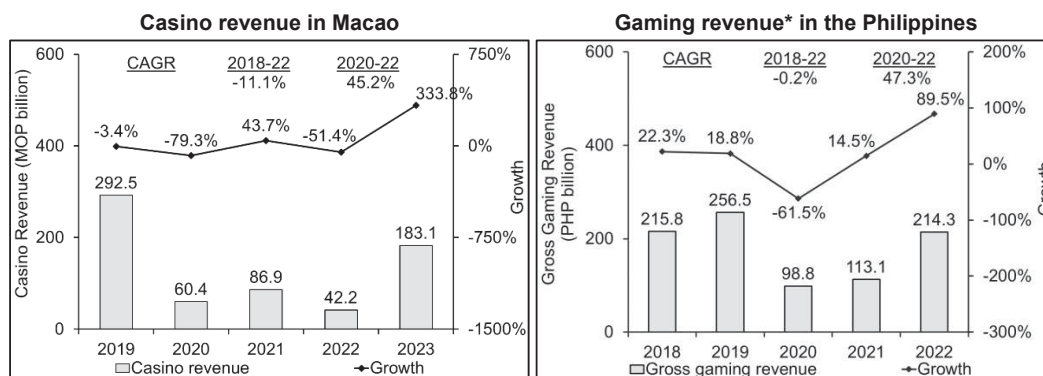
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prompted by the COVID-19 pandemic, combined with the US-China trade war. Following the gradual relaxation of containment measures in various countries, the sea freight rate has been on a decline, before increasing in December 2023 following attacks on ships in the Red Sea.

4. GAMING INDUSTRY IN ASIA

- This section focuses on the gaming industry in Asia, particularly Macao and the Philippines as Mega Fortris Group intends to venture into providing a total solution for supplying and handling playing cards in sealed security boxes to casino operators.
- In 2023, there were 6 casino concessionaires and 30 casinos in Macao, which serve as the potential addressable market for suppliers of playing cards (*Sources: Gaming Inspection and Coordination Bureau (GICB), Macao*). The annual casino revenue in Macao rebounded with a growth of 333.8% to MOP183.1 billion in 2023, following the easing of COVID-19 containment measures. This corresponded with the surge of 394.9% in the number of tourists in 2023 (*Sources: Statistic and Census Service, Macao*). Despite the recovery in casino revenue, it has not reached its pre-COVID-19 levels in 2019. Nevertheless, the continuing growth in the number of tourists visiting Macao will contribute to sustaining and further growing the gaming industry in Macao, which in turn, provides opportunities for operators involved in the supply of playing cards for casinos. In 2024, the number of tourists visiting Macao is targeted to reach 33 million tourists (*Source: Macao Government Tourism Office*). This will support the growth in the performance of its gaming industry.



Latest available data. * Includes revenue from Philippines Amusement and Gaming Corporation (PAGCOR) operated establishments as well as other licensed casinos and gaming establishments. (*Sources: Gaming Inspection and Coordination Bureau (GICB), Macao; PAGCOR*)

- In the Philippines, there are approximately 50 casinos as of the date of this report, representing the potential addressable market for suppliers of playing card (*Source: Vital Factor analysis*). In 2022, the gaming revenue recorded a growth of 89.5% to PHP214.3 billion, indicating a recovery from the impact of the COVID-19 pandemic. This was reflected in the increase of 105.4% in the number of tourists in 2023 (*Source: Department of Tourism, Philippines*). Despite the recovery in gaming revenue, it has yet to reach its pre-COVID-19 levels in 2019. In the 9M 2023, the gaming revenue in the Philippines grew by 37.7% from PHP149.0 billion in the 9M 2022 to PHP205.2 billion in the 9M 2023 (*Source: PAGCOR*). In 2024, the Department of Tourism of the Philippines has set a target of 7.7 million international tourist arrivals. This is expected to provide growth opportunities for the gaming industry in the Philippines.

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5. COMPETITIVE LANDSCAPE

5.1 Industry players

- The companies in the table below were selected to facilitate a comparative analysis of their financial performance based on their business activity which includes the manufacturing of security seals. The criteria for their selection include the following:
 - involved in the manufacture of security seals;
 - having operations in Malaysia; and
 - availability of relatively recent financial information.

They may also be involved in other business activities. The list is not exhaustive.

Company	FYE ⁽¹⁾	Rev ⁽²⁾ (RM mil)	GP ⁽²⁾ (RM mil)	NP ⁽²⁾ (RM mil)	GP ⁽²⁾ Margin	NP ⁽²⁾ Margin
Mega Fortris Group	Jun-23	161,303	61,699	15,901	38.3%	9.9%
Acme Seals (Malaysia) S/B ⁽³⁾	Dec-22	19,345	4,963	1,230	25.7%	6.4%
Wesglow Industries S/B ⁽⁴⁾	Dec-21	17,630	6,009	2,427	34.1%	13.8%
Envotech Network S/B ⁽⁵⁾	Jun-22	14,662	2,591	939	17.7%	6.4%
Unisto Identification Systems S/B ⁽⁶⁾	Dec-22	4,191	1,291	33	30.8%	0.8%

FYE= Financial Year Ended; Rev=Revenue; GP=Gross Profit; NP=Net Profit; mil= million; S/B= Sendirian Berhad; n.a.= not available.

Notes:

- (1) Latest available financial information;
- (2) Derived from the design and manufacture of security seals, and may include other businesses.
- (3) Involved in manufacturing and trading of security seals.
- (4) Involved in manufacturing, trading and selling of plastic and metal products. The latest publicly available financial information is for the financial year ended 31 December 2021, as it was subsequently classified as an exempt private company.
- (5) Involved in the manufacturing of electronic security seals.
- (6) Involved in the manufacturing of seals and related products. A subsidiary of Rofima Holding AG, a company incorporated in Switzerland.

- Some of the operators involved in the design and manufacture of security seals in countries other than Malaysia are as follows:

Company	Country	Company	Country
American Casting & Manufacturing Corporation	USA	Sellos Fiscales SA de CV	Mexico
Cambridge Security Seal LLC	USA	Seyoon Seal Co Ltd	Korea
Essentra plc*	UK	Shandong Ruier Seal Co Ltd	China
Harcor Security Seals Pty Ltd	Australia	Shanghai Xinfan Container Fittings Co Ltd	China
Hoefon BV	Netherlands	Shenyang Shining Fortune Container Seal Co Ltd	China
ITW Envopak	UK	TydenBrooks Security Products Group	USA
LeghornGroup srl	Italy	Universeal (UK) Limited	UK
NovaVision LLC	USA	Versapak International Limited	UK
Oneseal AS	Denmark	Vikela Aluvin Pty Ltd	South Africa
Peever International NV	Belgium	Wenzhou Yanjiang Security Seals Co Ltd	China
Relcor Inc	USA		

* Listed on the London Stock Exchange. Pty Ltd = Proprietary Limited; NV = Naamloze vennootschap; Co Ltd = Company Limited; AS= Aktieselskab; Srl = Società responsabilità limitata; SA de CV = Sociedad Anonima de Capital Variable; BV = Besloten vennootschap; Inc = Incorporated; LLC = Limited liability company; plc= public limited company.

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5.2 Market size and share

- There is no publicly available information or statistics on the manufacturing of security seals and as such, it is not possible to determine the market size and share of Mega Fortris Group.

5.3 Barriers to entry

- The barriers to entry for the design and manufacture of security seals are 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. The design of seals includes capabilities in meeting the requirements of various countries' regulations and industry standards, as well as technical expertise in compounding plastic materials and selecting other input materials in optimising cost and effectiveness.

6. INDUSTRY CONSIDERATION FACTORS

- **Expansion in global trade**, coupled with **economic growth** and a **surge in e-commerce activities**, will create a favourable environment for increased demand for security seals. In 2023, the real GDP of the global economy is estimated to grow by 3.1%, with the USA estimating to grow by 2.5%. Meanwhile, Europe and Asia are projected to experience real GDP growth rates of 1.3% and 4.6% in 2023 respectively (*Source: Vital Factor analysis*). The expected increase in economic and production activities may result in a rising volume of goods transported globally and domestically, underscoring the need for security measures to safeguard products and shipments. In 2023, the value of global trade declined by 3% in 2023, mainly attributed to the fall in trade in goods. Nevertheless, the outlook for the first quarter of 2024 is positive, with trade in goods forecasted to grow by 3% (*Source: Vital Factor analysis*).
- **Technology advancements** in security seals, particularly the development of more sophisticated electronic seals equipped with **electronic identification, tracking and monitoring** capabilities, typically through RFID or GPS technologies, will drive demand for security seals as businesses are increasingly focused on enhancing supply chain tracking, efficiency and effectiveness.
- **Increasing regulatory requirements** relating to cargo security, especially in international trade, also serve as a driver of growth for security seals. Governments and international organisations worldwide have implemented stringent regulations to enhance the security and integrity of transported goods. Custom authorities globally mandate the use of security seals, as well as adherence to international standards, such as those established by ISO.
- **Growing awareness of environmental sustainability** may lead to an increasing preference for environmentally friendly security seal options. Manufacturers introducing environmentally friendly options, such as seals made from recyclable or biodegradable materials, may benefit from this shift in end-user preferences.
- **Growing emphasis on supply chain transparency and auditability** has expanded the applications of security seals. For instance, security seals may be used to manage quotas in wild-caught seafood to promote sustainable harvesting practices, and verify the chain-of-custody of the source of agricultural products including high-value fruits such as certain species of durian and Japanese melon. In fair trade practices, security seals serve as a visible and tangible measure to assure consumers of the authenticity and ethical sourcing of products to enhance consumer confidence. The increasing applications of security seals in these areas will augur well for operators in the security seal industry.

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, 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. During the FYE Under Review and from 1 July 2023 up to the LPD, there were no product liability claims made against us by our customers. However, 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.

9. RISK FACTORS

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. The financial statements of our foreign operations were prepared in the respective functional currencies, namely USD, GBP, DKK, EUR, HUF, AUD, NZD, HKD and SGD.

For the FYE Under Review, the sales of our products were transacted in various foreign currencies mainly include USD, GBP and EUR as well as local currency in RM. 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.

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.

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 marketing 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.

9. RISK FACTORS

During the FYE Under Review and from 1 July 2023 up to the LPD, there have been incidents of injury involving our production workers at No.29 Property and No.56 Property. However, there were no material injury or harm to them, and no breach or failure to comply with the relevant health and safety regulations. 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. RISK FACTORS

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 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.

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. 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. RISK FACTORS

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 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 to our Group.

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.

9. RISK FACTORS

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. RISK FACTORS

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 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. RISK FACTORS

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. RISK FACTORS

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. RISK FACTORS

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. RISK FACTORS

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.

10. RELATED PARTY TRANSACTION

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Save as disclosed below, there are no existing or proposed material related party transactions which involved the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the FYE Under Review and from 1 July 2023 up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			From 1 July 2023 up to the LPD
				FYE 2021	FYE 2022	FYE 2023	
(i)	Our Company and Mega Fortris Global	Dato' Nick Ng ⁽¹⁾ and Datuk Adrian Ng ⁽¹⁾ are our major shareholders and Directors. Mega Fortris Global is our major shareholder. Dato' Nick Ng ⁽¹⁾ and Datuk Adrian Ng ⁽¹⁾ are directors and major shareholders of Mega Fortris Global.	Acquisitions under the Pre-IPO Reorganisations Please refer to Section 6.1.2.1 for further details	-	-	33,712 (31.40% of our Group's NA)	-
(ii)	Our Company and Dato' Nick Ng	Dato' Nick Ng ⁽¹⁾ is our major shareholder and Director.	Acquisition of Mega Fortris Security Bags' Minority Interests under the Pre-IPO Reorganisations Please refer to Section 6.1.2.2 for further details	-	-	-	1,022

10. RELATED PARTY TRANSACTION

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			From 1 July 2023 up to the LPD
				FYE 2021	FYE 2022	FYE 2023	
(iii)	Our Company and Datuk Adrian Ng	Datuk Adrian Ng ⁽¹⁾ is our major shareholder and Director.	Acquisition of Mega Fortris Security Bags' Minority Interests under the Pre-IPO Reorganisations Please refer to Section 6.1.2.2 for further details	-	-	-	104
(iv)	Our Company and Horizonshoppes (Malaysia) Sdn Bhd ("Horizonshoppes")	Dato' Nick Ng ⁽¹⁾ and Datuk Adrian Ng ⁽¹⁾ are our major shareholders and Directors.	(a) Acquisition of property by Mega Fortris from Horizonshoppes ⁽²⁾	-	-	-	14,000
		Dato' Nick Ng ⁽¹⁾ and Datuk Adrian Ng ⁽¹⁾ are major shareholders and directors of Horizonshoppes.	(b) Rental of property by Mega Fortris from Horizonshoppes for use as factory and office ⁽³⁾	540 (11.85% of our Group's PAT)	540 (7.75% of our Group's PAT)	585 (3.68% of our Group's PAT)	250

10. RELATED PARTY TRANSACTION

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			From 1 July 2023 up to the LPD
				FYE 2021	FYE 2022	FYE 2023	
(v)	Our Company and Mega Fortris SG	Datuk Adrian Ng ⁽¹⁾ is a common major shareholder and director of Mega Fortris SG.	(a) Sale of security seals and trading products from Mega Fortris to Mega Fortris SG	719 (0.53% of our Group's revenue)	808 (0.52% of our Group's revenue)	855 (0.53% of our Group's revenue)	633
		Dato' Nick Ng ⁽¹⁾ is a common major shareholder of our Company and Mega Fortris SG.	(b) Purchase of security seals by Mega Fortris from Mega Fortris SG	17 (0.02% of our Group's cost of sales)	-	-	-
		Chua Sia Hong is a director of Mega Fortris Global and our major shareholder.					
		Chua Sia Hong is also a director of Mega Fortris SG.					
(vi)	Mega Fortris AUS and TCUS Property Pty Ltd	Michael Steven Taylor is a major shareholder and director of Mega Fortris AUS.	Lease of property by Mega Fortris AUS from TCUS Property Pty Ltd for use as storage and distribution centre of security related products ⁽⁴⁾	295 (6.47% of our Group's PAT)	308 (4.42% of our Group's PAT)	313 (1.97% of our Group's PAT)	248
		Michael Steven Taylor is a major shareholder and director of TCUS Property.					
(vii)	Mega Fortris NZ and GJM Investments Limited	Glen Lindsay Moore is a major shareholder and director of Mega Fortris NZ. Glen Lindsay Moore is a sole shareholder and director of GJM Investments Limited.	Lease of property by Mega Fortris NZ from GJM Investments Limited for use as office and warehouse ⁽⁵⁾	162 (3.56% of our Group's PAT)	185 (2.65% of our Group's PAT)	179 (1.13% of our Group's PAT)	31

10. RELATED PARTY TRANSACTION

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			From 1 July 2023 up to the LPD
				FYE 2021	FYE 2022	FYE 2023	
(viii)	Mega Fortris SG and Mega Fortris Security Bags	<p>Datuk Adrian Ng ⁽¹⁾ is a common major shareholder of Mega Fortris SG and Mega Fortris Security Bags.</p> <p>Dato' Nick Ng ⁽¹⁾ is a common major shareholder of Mega Fortris SG and Mega Fortris Security Bags.</p> <p>Chua Sia Hong is a director of Mega Fortris Global and our major shareholder.</p> <p>Chua Sia Hong is also a director of Mega Fortris SG.</p>	Purchase of security bags by Mega Fortris SG from Mega Fortris Security Bags	76 (0.09% of our Group's cost of sales)	121 (0.12% of our Group's cost of sales)	203 (0.20% of our Group's cost of sales)	114
(ix)	Mega Fortris HU and HITEC Kft	<p>Péter János Noth is a major shareholder and director of Mega Fortris HU.</p> <p>Péter János Noth is also a major shareholder of HITEC Kft.</p>	<p>(a) Lease of property by Mega Fortris HU from HITEC Kft for use as office and warehouse ⁽⁶⁾</p> <p>(b) Sale of security seals from Mega Fortris HU to HITEC Kft</p> <p>(c) Purchase of trading products by Mega Fortris HU from HITEC Kft</p>	<p>111 (2.44% of our Group's PAT)</p> <p>157 (0.12% of our Group's revenue)</p> <p>213 (0.24% of our Group's cost of sales)</p>	<p>87 (1.25% of our Group's PAT)</p> <p>131 (0.08% of our Group's revenue)</p> <p>330 (0.32% of our Group's cost of sales)</p>	<p>76 (0.48% of our Group's PAT)</p> <p>72 (0.04% of our Group's revenue)</p> <p>69 (0.07% of our Group's cost of sales)</p>	<p>54</p> <p>34</p> <p>27</p>

10. RELATED PARTY TRANSACTION

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			From 1 July 2023 up to the LPD
				FYE 2021	FYE 2022	FYE 2023	
(x)	Mega Fortris HU and "PETTEX" (Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság) ("PETTEX")	Péter János Noth is a major shareholder and director of Mega Fortris HU. Péter János Noth is a major shareholder and director of PETTEX.	Purchase of security seals by Mega Fortris HU from PETTEX	313 (0.36% of our Group's cost of sales)	326 (0.31% of our Group's cost of sales)	135 (0.14% of our Group's cost of sales)	206
(xi)	Mega Fortris ME and OEM SERV Hong Kong Limited	Horst Dieter Belle is a major shareholder of Mega Fortris ME. Horst Dieter Belle is a major shareholder and director of OEM SERV Hong Kong Limited.	Purchase of load secure products by Mega Fortris ME from OEM SERV Hong Kong Limited	2,567 (2.94% of our Group's cost of sales)	3,915 (3.78% of our Group's cost of sales)	4,124 (4.14% of our Group's cost of sales)	2,582
(xii)	Mega Fortris LSN and Mega Fortris Nordic AB	Kent Rickard Nilsson is a major shareholder (through Reach Invest AB ("Reach Invest")) and director of Mega Fortris LSN. Kent Rickard Nilsson is a sole shareholder (through Reach Invest) and director of Mega Fortris Nordic AB.	Sale of load secure products and dunnage bags from Mega Fortris LSN to Mega Fortris Nordic AB	-	-	795 (0.49% of our Group's revenue)	-

10. RELATED PARTY TRANSACTION

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			From 1 July 2023 up to the LPD
				FYE 2021	FYE 2022	FYE 2023	
(xiii)	Mega Fortris LSN and OEM SERV Hong Kong Limited	Horst Dieter Belle is a major shareholder and director of Mega Fortris LSN. Horst Dieter Belle is a sole shareholder and director of OEM SERV Hong Kong Limited.	Purchase of load secure products and dunnage bags by Mega Fortris LSN from OEM SERV Hong Kong Limited	565 (0.65% of our Group's cost of sales)	221 (0.21% of our Group's cost of sales)	-	-
(xiv)	Mega Fortris LSN and Reach Invest	Kent Rickard Nilsson is a major shareholder (through Reach Invest) and director of Mega Fortris LSN. Kent Rickard Nilsson is a sole shareholder and director of Reach Invest.	Charges of management fees, consultancy fees and other fees to Mega Fortris LSN by Reach Invest AB	374 (8.21% of our Group's PAT)	413 (5.92% of our Group's PAT)	327 (2.06% of our Group's PAT)	6

Notes:

- Dato' Nick Ng and Datuk Adrian Ng are our Promoters, major shareholders (by virtue of their shareholdings in Mega Fortris Global through Mega Fortris Capital and Ng Brothers Estate), and Directors.
- Horizonshoppes (vendor) and our Company (purchaser) had entered into a sale and purchase agreement on 17 August 2023 for the acquisition of No. 56 Property for a purchase consideration of RM14,000,000.00. The transaction has been completed on 30 November 2023.
- Horizonshoppes (landlord) and our Company (tenant) had entered into a tenancy agreement on 28 April 2022 for the rental of No. 56 Property. The term of the tenancy agreement is for a tenure of one year, from 1 July 2022 to 30 November 2023, with an option to renew for another one year at market rental rate. The monthly rental was RM45,000.00. The parties have via a notice of rent increase dated 1 October 2022, revised the monthly rental to RM50,000.00 with effect from 1 November 2022. The tenancy was terminated following the completion of the acquisition of Lot 56, Kota Kemuning by our Company from Horizonshoppes on 30 November 2023.

10. RELATED PARTY TRANSACTION

- (4) Mega Fortris AUS (tenant) and TCUS Property Pty Ltd (landlord) entered into a lease agreement on 15 May 2022 for the lease of property known as Unit 2/20 Wilmitte Place, Mona Vale, New South Wales 2103, Australia. The term of the lease agreement is for a tenure of four years, from 15 May 2022 to 14 May 2026, with an option to renew for another four years. The monthly rental is AUD8,553.53. The lease agreement may be terminated by either party if the leased property or a substantial part of the leased property is destroyed so substantially as to be wholly unfit for occupation. In addition, the lease agreement may also be terminated by TCUS Property Pty Ltd if there is a breach or non-observance of any covenants on the part of Mega Fortris AUS by giving 14 days' written notice.
- (5) Mega Fortris NZ (tenant) and GJM Investments Limited (landlord) entered into a warehouse lease agreement on 25 March 2019 (as amended by a lease amendment document between Mega Fortris NZ and GJM Investments Limited dated 17 February 2021) for the lease of property known as 79 Titi Road, Mauku, Auckland 2678, New Zealand. The term of the lease agreement is for a tenure of five years, from 25 March 2019 to 25 March 2024. The monthly rental was NZD5,083.33. The parties have agreed to terminate the lease agreement on 30 June 2023.
- (6) Mega Fortris HU (tenant) and HITEC Kft (landlord) entered into a lease agreement on 1 January 2022, for the lease of property known as Fehérvári út 83-85, 1119 Budapest, Hungary from HITEC Kft to Mega Fortris HU. The term of the lease agreement is for an indefinite tenure. The monthly rental is EUR1,080.00. The lease agreement may be terminated by either party by giving a three months' written notice.

The related party transactions in (xi) and (xiii) above were not made at market rate, and were therefore not transacted on arms' length basis. Our Group has implemented a related party transaction policy in end February 2024 to ensure that all future related party transactions (if any) will be in compliance with the Listing Requirements, transacted on an arm's length basis and based on terms and conditions which are not unfavourable to our Group. Please refer to Section 10.2 of this Prospectus for further details on the monitoring and oversight of related party transactions.

Save as disclosed above, all the material related party transactions entered into by our Group which involved the interest, direct or indirect, of the Directors, major shareholders and/or persons connected with them during the FYE Under Review and from 1 July 2023 up to the LPD were transacted on arms' length basis and were based on terms and conditions which were not unfavourable to our Group.

10.1.2 Transactions that are unusual in their nature or conditions

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for the FYE Under Review and from 1 July 2023 up to the LPD.

10. RELATED PARTY TRANSACTION

10.1.3 Outstanding loans and/or financial assistance to or for the benefit of related parties

Save as disclosed below, there are no outstanding loans and/or financial assistance that have been granted by our Group to or for the benefit of our related parties for the FYE Under Review and from 1 July 2023 up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount as at			From 1 July 2023 up to the LPD
				FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	
(i)	Our Company and Datuk Adrian Ng	Datuk Adrian Ng is our Promoter, major shareholder and Director.	Provision of loan from our Company to Datuk Adrian Ng ⁽¹⁾	367 (0.51% of our Group's NA)	329 (0.43% of our Group's NA)	293 (0.27% of our Group's NA)	-

Note:

- (1) Our Company and Datuk Adrian Ng entered into a loan agreement (with tenure of 48 months) dated 27 December 2018 acknowledging the provision of loan from our Company to Datuk Adrian Ng pursuant to our Group's policy on education loans for employees' children.

The loan above was provided interest-free and unsecured, and was therefore not on normal commercial terms and not on arm's length basis. Nevertheless, as at the LPD, the loan has been fully repaid and our Group will not be providing any further loans to its related parties moving forward without relevant approvals including shareholders'.

10. RELATED PARTY TRANSACTIONS

10.1.4 Upliftment of personal and corporate guarantees

Save as disclosed below, there are no other personal and corporate guarantees provided by the following parties to financial institutions to secure bank guarantees for performance and tender bonds of our Group:

Financial institution	Guarantor	Guaranteed amount (‘000)
RHB Bank	Dato’ Nick Ng and Datuk Adrian Ng	<ul style="list-style-type: none"> • RM48,700 • USD5,000
BMW Credit (Malaysia) Sdn Bhd	Dato’ Nick Ng	RM6,519
AmBank M Berhad	Mega Fortris Global, Dato’ Nick Ng and Datuk Adrian Ng	Open all monies ⁽¹⁾

Note:

- (1) Open all monies includes the aggregate of all principal monies, interest, capitalised interest, fees, and all other monies due and payable under the banking facility and such other subsequent or further banking facility made available to us, and includes all liabilities, obligations and indemnities whether present or future or actual or contingent for the payment and repayment of any monies by us.

As at the LPD, we have obtained consents from all the parties above for the release and/or discharge of the said personal and corporate guarantees, subject to the successful listing of our Company on the Main Market of Bursa Securities.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

Upon our Listing, our Audit Committee will, amongst others, review the terms of all related party transactions to ensure that the related party transactions are carried out on an arm’s length basis and on terms which are not unfavourable to our Group.

If there are any proposed related party transactions that:

- (i) involve the interest, direct or indirect, of our Director(s), the interested Director(s) will disclose their interest to our Board, and the nature and extent of their interest including all matters in relation to the proposed related party transactions. The interested Director(s) will also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.
- (ii) requires the prior approval of our shareholders, our Directors, substantial shareholders and/or persons connected with them, which have any interest, direct or indirect, in the transaction, will abstain from voting in respect of his direct and/or indirect shareholdings.

Such interested Directors and/or substantial shareholders will also undertake to ensure that persons connected with them will abstain from voting on the resolution approving the proposed related party transaction at a general meeting.

11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESSES OF OUR GROUP, OUR CUSTOMERS AND/OR OUR SUPPLIERS

Save as disclosed below, none of our Directors and substantial shareholders have any interest, direct or indirect, in businesses and corporations which are (i) carrying on a similar trade as that of our Group, or (ii) our customers or suppliers as at the LPD:

No.	Interested party	Interested corporation	Nature of interest	Nature of conflict
(i)	Horst Dieter Belle	OEM SERV group	<p>Horst Dieter Belle is:</p> <p>(i) a major shareholder of Mega Fortris ME;</p> <p>(ii) a major shareholder and director of Mega Fortris LSN; and</p> <p>(iii) an indirect 3.39% shareholder of Mega Fortris UK via OEM SERV Hong Kong Limited.</p> <p>Horst Dieter Belle is a major shareholder and director of OEM SERV Hong Kong Limited.</p>	<p>(i) Similar trade</p> <p>(ii) Supplier of Mega Fortris ME, Mega Fortris LSN, and Mega Fortris UK</p>
(ii)	Julien Taillez	S.A.S JFC	<p>Julien Taillez is a major shareholder and general manager of Mega Fortris France.</p> <p>Julien Taillez is also a major shareholder of S.A.S JFC.</p>	<p>(i) Similar trade</p> <p>(ii) Supplier of Mega Fortris France and Mega Fortris HU</p> <p>(iii) Customer of Mega Fortris France</p>

11. CONFLICT OF INTEREST

No.	Interested party	Interested corporation	Nature of interest	Nature of conflict
(iii)	Kent Rickard Nilsson and Reach Invest	Mega Fortris Nordic AB	<p>Kent Rickard Nilsson is a major shareholder (through Reach Invest) and director of Mega Fortris LSN.</p> <p>Kent Rickard Nilsson is a sole shareholder (through Reach Invest) and director of Mega Fortris Nordic AB.</p>	<p>(i) Similar trade</p> <p>(ii) Customer of our Company, Mega Fortis Europe, Mega Fortis HU, Mega Fortis LSN, Mega Fortis BNL and Mega Fortis Security Bags</p>
(iv)	OCBC	OCBC and its group of companies ("OCBC Group") ⁽¹⁾	<p>OCBC is our major shareholder (through Mega Fortis Global).</p> <p>OCBC is a major shareholder of:</p> <p>(i) OCBC Bank (Malaysia) Berhad; and</p> <p>(ii) OCBC Al-Amin Bank Berhad.</p>	Customer of Mega Fortis Security Bags and Mega Fortis SG
(v)	Péter János Noth	HITEC Kft	<p>Péter János Noth is a major shareholder and director of Mega Fortis HU,</p> <p>Péter János Noth is also a major shareholder of HITEC Kft.</p>	<p>(i) Similar trade</p> <p>(ii) Supplier and customer of Mega Fortis HU</p>
(vi)	Péter János Noth	"PETTEX" (Kereskedelmi és Szolgáltató Korlatolt Felelősségű Társaság) ("PETTEX")	<p>Péter János Noth is a major shareholder and director of Mega Fortis HU.</p> <p>Péter János Noth is a major shareholder and director of PETTEX.</p>	<p>(i) Similar trade</p> <p>(ii) Supplier of Mega Fortis HU</p>

Note:

(1) OCBC Group includes OCBC, OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad.

11. CONFLICT OF INTEREST

Our Board is of the view that the interest of the interested Directors and substantial shareholders, direct or indirect, in the following corporations do not give rise to a conflict of interest situation after taking into consideration the following:

No.	Interested party	Mitigating measure
(i)	Horst Dieter Belle's interest in OEM SERV group	<p><u>Similar trade</u></p> <p>OEM SERV group primarily manufactures dunnage bags, strapping belts and other load secure products. It also manufactures security seals (cable seals, container seals and plastic seals).</p> <p>The revenue generated by OEM SERV group is mainly derived from the sale of their manufactured dunnage bags, strapping belts and other load secure products, while the contribution from the sale of their manufactured security seals only represents less than 1.0% of their total revenue.</p> <p>As such, OEM SERV group's business operations are of a different focus area as compared to our Group's and are not in competition with the business and operations of our Group.</p> <p><u>Supplier of Mega Fortris ME, Mega Fortris UK and Mega Fortris LSN</u></p> <p>(a) We mainly purchase dunnage bags and polyester cord strapping and lashing systems from OEM SERV Group for our trading operations.</p> <p>We are not dependent on OEM SERV Group for our purchase of such trading products as we are able source such similar products from other suppliers, and our total purchases from OEM SERV Group represent less than 12.0% of our Group's total purchases during the FYE Under Review;</p> <p>(b) Horst Dieter Belle:</p> <ol style="list-style-type: none"> only holds 29.0% equity interest in Mega Fortris ME, and he has not been involved in the day-to-day management and operations of Mega Fortris ME which is managed by Alessio Verolli (the general manager of Mega Fortris ME and not related to him); is only a minority shareholder with an indirect equity interest of 3.4% (via OEM SERV Hong Kong Limited) in Mega Fortris UK, and he has not been involved in the day-to-day management and operations of Mega Fortris UK as he does not have any directorship in Mega Fortris UK; and director of Mega Fotris LSN and only holds 25.0% equity interest in Mega Fortris LSN, and he was not involved in the day-to-day management and operations of Mega Fortris LSN. Mega Fortris LSN has ceased its operations since 1 July 2023.

11. CONFLICT OF INTEREST

No.	Interested party	Mitigating measure
(ii)	Julien Taille's interest in S.A.S JFC	<p><u>Similar trade</u></p> <p>S.A.S JFC:</p> <ul style="list-style-type: none"> (a) is primarily involved in the manufacturing of plastic and metal accessories for packaging and securing transported goods (including the manufacturing of one type of security seal); (b) S.A.S JFC's operations are not significant, with an approximate annual revenue of EUR100,000 (c. RM516,000) as compared to the total revenue of our Group of RM161.3 million in FYE 2023; and (c) does not have the necessary machineries and resources to produce and market the portfolio of security seals manufactured by our Group. As such, S.A.S JFC is not able to offer the same range of products as our Group.

As such, S.A.S JFC's business operations are of a different focus area as compared to our Group's and are not in competition with the business and operations of our Group.

Supplier of Mega Fortris France and Mega Fortris HU

We purchases= clip box seals and procure laser printing services from S.A.S JFC.

We are not dependent on S.A.S JFC for the supply of clip box seals as well as the provision of laser printing services as we are able to source similar goods and services from other providers.

Further, our total purchases for such goods and services from S.A.S JFC represent less than 0.5% of our Group's total purchases during the FYE Under Review.

Customer of Mega Fortris France

We sell our manufactured security seals to S.A.S JFC.

We are not dependent on S.A.S JFC for our sale of security seals as our total sales to S.A.S JFC represent less than 0.1% of our Group's total revenue during the FYE Under Review.

Julien Taille:

- (a) only holds an equity interest of 25.00% in S.A.S JFC ⁽¹⁾; and
- (b) has not been involved in the day-to-day management and operations of S.A.S JFC as S.A.S JFC has its own management team to undertake its day-to-day management and operations.

Note:

- (1) Subsequent to the LPD, he has disposed his entire equity interest in S.A.S JFC to his father.

11. CONFLICT OF INTEREST

No.	Interested party	Mitigating measure
(iii)	Kent Rickard Nilsson and Reach Invest's interest in Mega Fortis Nordic AB	<p><u>Similar trade</u></p> <p>Mega Fortis Nordic AB trades (and does not manufacture) security seals and load secure products, and is an exclusive distributor of our Group, for the Swedish market.</p> <p>Further, Mega Fortis Nordic AB only sources its security seals from our Group.</p> <p>By virtue of Mega Fortis Nordic AB being our distributor, it is not in competition with our business and operations.</p> <p>Mega Fortis Nordic AB is not related to our Group other than it being one of our distributors, and being owned by Kent Rickard Nilsson, who is a director and shareholder of Mega Fortis LSN (through Reach Invest AB).</p> <p><u>Customer of Mega Fortis Europe, Mega Fortis HU, Mega Fortis LSN, Mega Fortis BNL and Mega Fortis Security Bags</u></p> <p>(a) We sell our manufactured security seals and load secure products to Mega Fortis Nordic AB;</p> <p>We are not dependent on Mega Fortis Nordic AB as our total sales to Mega Fortis Nordic AB only represents less than 1.0% of our Group's revenue in FYE 2023 (no transaction during FYEs 2021 to 2022); and</p> <p>(b) Kent Rickard Nilsson is no longer involved in the day-to-day management and operation of Mega Fortis LSN as Mega Fortis LSN has ceased its operations since 1 July 2023.</p>
(iv)	OCBC's interest in OCBC Group	<p><u>Customer of Mega Fortis Security Bags and Mega Fortis SG</u></p> <p>(a) We sell our security seals and security bags to OCBC Group; and</p> <p>(b) We are not dependent on OCBC Group as our total sales to OCBC Group only represents less than 0.1% of our Group's total revenue during the FYE Under Review.</p>
(v)	Péter János Noth's interest in HITEC Kft	<p><u>Similar trade</u></p> <p>HITEC Kft primarily manufactures plastic packing goods (such as security tapes and label). It also trades (and does not manufacture) one type of security seal, namely meter seals.</p> <p>HITEC Kft's operations in security seals are not significant as the revenue from its trade of security seals represents less than 1.00% of its total revenue.</p> <p>As such, HITEC Kft's business operations are of a different focus area as compared to our Group's and are not in competition with our business and operations.</p>

11. CONFLICT OF INTEREST

No.	Interested party	Mitigating measure
		<p><u>Supplier of Mega Fortris HU</u></p>
		<p>We mainly purchase security tapes and labels from HITEC Kft for our trading operations.</p>
		<p>We are not dependent on HITEC Kft for our purchases of such trading products as we are able to source similar products from other suppliers. Further, the total purchases from HITEC Kft represent less than 0.5% of our Group's total purchases during the FYE Under Review.</p>
		<p><u>Customer of Mega Fortris HU</u></p>
		<p>We sell security seals to HITEC Kft.</p>
		<p>We are not dependent on HITEC Kft for our sale of security seals as our total sales to HITEC Kft represent less than 0.1% of our Group's total revenue during the FYE Under Review.</p>
		<p>Péter János Noth:</p>
		<p>(a) only holds an equity interest of 10.00% in HITEC Kft; and</p>
		<p>(b) is not involved in the day-to-day management and operations of HITEC Kft as HITEC Kft has its own management team to undertake its day-to-day management and operations.</p>
	<p>(vi) Péter János Noth's interest in PETTEX</p>	<p><u>Similar trade</u></p>
		<p>PETTEX is primarily involved in provision of mowing services for railway tracks. It also trades (and does not manufacture) security seals.</p>
		<p>PETTEX's operations in security seal are not significant as the revenue from its trade of security seals represents less than 1.0 % of its total revenue.</p>
		<p>As such, PETTEX's business operations are of a different focus area as compared to our Group's and are not in competition with the business and operations of our Group.</p>
		<p><u>Supplier of Mega Fortris HU</u></p>
		<p>(a) Mega Fortris HU mainly purchases security seals, namely plastic seals from PETTEX.</p>
		<p>The purchase of the security seals from PETTEX is to meet Mega Fortris HU's customers' request. We do not manufacture security seals purchased from PETTEX as they are of different specifications and not economically viable to be manufactured by our Group. Further, PETTEX only sells its security seals to Mega Fortris HU.</p>

11. CONFLICT OF INTEREST

No.	Interested party	Mitigating measure
		<p>We are not dependent on PETTEX for our purchase of such security seals as we are able to source such security seals from other providers and/or have the capability to manufacture such security seals if commercially viable.</p> <p>Further, our total purchases from PETTEX represent less than 0.5% of our Group's total purchases during the FYE Under Review.</p> <p>(b) Péter János Noth has not been involved in the day-to-day management and operations of PETTEX as PETTEX has its own management team to undertake the day-to-day management and operations. Additionally, PETTEX's business operation and financial condition are not dependent on Mega Fortris HU as PETTEX's total sales to Mega Fortris HU represent approximately 22% of PETTEX's total revenue in 2023.</p>

Moving forward, our Audit Committee will supervise any conflict of interest or potential conflict of interest situations that may arise. We have established procedures for related party transactions as disclosed in Section 10.2 of this Prospectus to ensure that these transactions were transacted on arms' length basis and were based on terms and conditions which were not unfavourable to our Group.

11.2 DECLARATION BY THE ADVISERS ON CONFLICT OF INTERESTS

(i) RHB Investment Bank

RHB Investment Bank, its subsidiaries and associated companies, as well as its holding company, RHB Bank Berhad, and the subsidiaries and associated companies of RHB Bank Berhad (collectively, the "**RHB Banking Group**") form a diversified financial group and may extend credit facilities or engage in private banking, commercial banking and investment banking transactions including, amongst others, brokerage, securities trading, asset and fund management and credit transaction service businesses in its ordinary course of business with our Group. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for our Group in addition to the roles set out in this Prospectus.

In addition, any member of the RHB Banking Group may at any time, in the ordinary course of business, offer to provide its services or to engage in any transaction (on its own account or otherwise) with any member of our Group, its Directors, its shareholders, its affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or its affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of any member of our Group and/or its affiliates. This is a result of the businesses of the RHB Banking Group generally acting independently of each other and accordingly there may be situations where parts of the RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group. The related companies of RHB Investment Bank may also bid for our IPO Shares to be offered under the Institutional Offering following the bookbuilding process.

11. CONFLICT OF INTEREST

The business divisions of RHB Banking Group generally act independently with each other, and accordingly, there may be situations where parts of RHB Banking Group and/or its customers now have or in the future, may have interest or take action that may conflict with the regulations issued by the relevant authorities governing its advisory business, which require, amongst others, segregation between dealing and advisory activities and Chinese Wall between different business divisions.

As at 18 March 2024, RHB Banking Group has in its course of ordinary business offered various facilities to the following parties ("**RHB Facilities**"):

No.	Party	Limit	Outstanding amount as at 18 March 2024
(i)	Company		
	(a) Multi trade line	USD5.00 million (equivalent to RM23.59 million ⁽¹⁾)	USD2.56 million (equivalent to RM12.08 million ⁽¹⁾)
	(b) Revolving credit, term loans and others	RM48.70 million	RM31.97 million
	(collectively " Mega Fortris Loan ")		
(ii)	Ng Brothers Estate		
	(a) Term loans	RM36.00 million	RM35.97 million
	(collectively " Ng Brothers Loan ")		
Total		RM108.29 million	RM80.02 million

Note:

- (1) Computed based on the middle rate quoted by Bank Negara Malaysia as at 18 March 2023 of USD1:MYR4.7185

Our Group will not be utilising any gross proceeds raised from the Public Issue to repay the Mega Fortris Loan. Mega Fortris Global will utilise part of the gross proceeds raised from the Offer for Sale to substantially repay the Ng Brothers Loan amounting to RM35.0 million.

Notwithstanding the above, RHB Investment Bank is of the view that the abovementioned does not give rise to a conflict of interest situation in its capacity as our Sole Principal Adviser, Joint Underwriter and Joint Placement Agent ("**IPO Appointment**") due to the following reasons:

- (i) the RHB Facilities of RM108.29 million were provided by RHB Banking Group on an arms' length basis and are in the ordinary course of business, and the said RHB Facilities are not material when compared to the audited NA of RHB Banking Group as at 31 December 2023 of approximately RM30,874.57 million (representing approximately 0.35% of the RHB Banking Group's audited NA);

11. CONFLICT OF INTEREST

- (ii) the Ng Brothers Loan of RM35.0 million is to be repaid from the proceeds raised from the Offer for Sale, representing approximately [●]% of the total proceeds raised from the Offer for Sale of approximately RM[●] million;
- (iii) the RHB Facilities are not conditional upon RHB Investment Bank being appointed as the Sole Principal Adviser, Joint Underwriter and Joint Placement Agent for the IPO;
- (iv) the corporate finance division of RHB Investment Bank ("**RHB CF**") is required under its investment banking licence to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, among others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations. The team in charge of our IPO in RHB Investment Bank is independent from the team handling the credit facilities. Further, there is no involvement by RHB CF for any credit application process undertaken by other departments within RHB Banking Group;
- (v) RHB Investment Bank is a licensed investment bank and its IPO Appointment is in the ordinary course of business and RHB Investment Bank does not receive or derive any financial interest or benefits save for the professional fees received in relation to its IPO Appointment as the Sole Principal Adviser, Joint Underwriter and Joint Placement Agent for our IPO; and
- (vi) the conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and RHB Banking Group's own internal controls and checks which includes, segregation of reporting structures, in that its activities are monitored and reviewed by independent parties and committees.

RHB Investment Bank has confirmed that there is no conflict of interest situation in its capacity as our Sole Principal Adviser, Joint Underwriter and Joint Placement Agent for our IPO.

(ii) AmInvestment Bank

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, "**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of the AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of our Group.

As at the LPD, the AmBank Group has extended loan facilities with a combined limit of RM113.9 million to our Group. AmInvestment Bank is of the opinion that the loan facilities do not give rise to a conflict of interest situation in its capacity as our Joint Underwriter and Joint Placement Agent for our IPO due to the following reasons:

11. CONFLICT OF INTEREST

- (i) the loan facilities were provided by AmBank Group in its ordinary course of business, and the said loan facilities are not material when compared to the audited NA of AmBank Group as at 31 March 2024 of approximately RM18.1 billion;
- (ii) AmBank Group forms a diversified financial group and is engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as the Joint Joint Underwriter and Joint Placement Agent for our IPO is in the ordinary course of business;
- (iii) the loan facilities and repayment of the aforementioned credit facilities was not determined in contemplation of and not conditional upon AmInvestment Bank being appointed as the Joint Underwriter and Joint Placement Agent for our IPO; and
- (iv) each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is regulated by Bank Negara Malaysia.

AmInvestment Bank has confirmed that there is no existing or potential conflict of interest in its capacity as our Joint Underwriter and Joint Placement Agent for our IPO.

(iii) Jeff Leong, Poon & Wong

Jeff Leong, Poon & Wong has given its confirmation that there is no existing or potential conflict of interests in its capacity as Solicitors for our IPO.

(iv) BDO PLT

BDO has given its confirmation that there is no existing or potential conflict of interests in its capacity as the auditors and the Reporting Accountants for our IPO.

(v) Vital Factor Consulting Sdn Bhd

Vital Factor has given its confirmation that there is no existing or potential conflict of interests in its capacity as the Independent Business and Market Research Consultants for our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia under the Companies Act 1965 on 9 April 1998 and is principally engaged in the business of design and manufacturing of security seals as well as trading and related activities to complement our in-house designed and manufactured security seals to provide a wider range of products and convenience to our customers. Our Group undertook a Pre-IPO Reorganisation to streamline all our foreign operations under our Company which was completed on 30 June 2023. The details for the Pre-IPO Reorganisation are set out in Section 6.1.2 of this Prospectus.

Our historical audited combined financial information for the FYE Under Review have been prepared in accordance with MFRS and IFRS, and should be read in conjunction with:

- (i) the Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 12.3 of this Prospectus; and
- (ii) the Accountants' Report together with its accompanying notes as set out in Section 13 of this Prospectus.

12.1.1 Historical audited combined statements of profit or loss and other comprehensive income

The following table sets out the summary of our combined statements of profit or loss and other comprehensive income for the FYE 2021 to 2023, which have been extracted from the Accountants' Report included in Section 13 of this Prospectus:

	Audited		
	FYE 2021	FYE 2022	FYE2023
	RM'000	RM'000	RM'000
Continuing operations			
Revenue	135,098	155,211	161,303
Cost of sales	(87,307)	(103,642)	(99,579)
GP	47,791	51,569	61,724
Other income	1,369	2,425	3,606
Net gain on impairment of financial assets	2,505	1,050	1,940
Selling and distribution expenses	(1,911)	(1,572)	(1,574)
Administrative expenses	(39,685)	(42,554)	(41,808)
Other operating expenses	(670)	(89)	(403)
Profit from operations	9,399	10,829	23,485
Finance costs	(2,392)	(2,297)	(3,760)
PBT	7,007	8,532	19,725
Tax expenses	(2,451)	(1,560)	(3,824)
PAT	4,556	6,972	15,901
Discontinuing operations ⁽¹⁾			
Profit/(loss) for the financial year from discontinuing operations, net of tax	4,560	(1,403)	(1,772)
Profit for the financial year	9,116	5,569	14,129
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences	(357)	480	4,379

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	Audited		
	FYE 2021	FYE 2022	FYE2023
	RM'000	RM'000	RM'000
Item that will not be reclassified subsequently to profit or loss			
Revaluation of land and buildings	-	-	15,988
Total comprehensive income for the financial year	8,759	6,049	34,496
PAT attributable to:			
Equity holder of the Company	5,986	4,393	12,500
Non-controlling interests	3,130	1,176	1,629
	9,116	5,569	14,129
Total comprehensive income attributable to:			
Equity holder of the Company	6,275	4,841	32,168
Non-controlling interest	2,484	1,208	2,328
	8,759	6,049	34,496
EBITDA (RM'000) ⁽²⁾	17,590	19,765	32,200
GP margin (%) ⁽³⁾	35.38	33.23	38.27
PBT margin (%) ⁽⁴⁾	5.19	5.50	12.23
PAT margin (%) ⁽⁵⁾	3.37	4.49	9.86
EBITDA margin (%) ⁽⁶⁾	13.02	12.73	19.96
Basic EPS (sen) ⁽⁷⁾	0.71	0.52	1.48

Notes:

- (1) Mega Fortris South Africa and its 60%-owned subsidiary, Mega Fortris Mzansi are under liquidation process and the results of which have been classified as discontinuing operations for the FYE Under Review.
- (2) The table below sets out the computation for arriving at our EBITDA for the continuing operations of our Group for the respective financial year:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Continuing operations			
PBT	7,007	8,532	19,725
<u>Less:</u>			
Finance income	(17)	(30)	(197)
<u>Add:</u>			
Finance cost	2,392	2,297	3,760
Amortisation and depreciation	8,208	8,966	8,912
EBITDA	17,590	19,765	32,200

- (3) GP margin is computed based on GP divided by revenue for the continuing operations of our Group.
- (4) PBT margin is computed based on PBT over revenue for the continuing operations of our Group.
- (5) PAT margin is computed based on PAT over revenue for the continuing operations of our Group.

12. FINANCIAL INFORMATION

- (6) EBITDA margin is computed based on EBITDA over revenue for the continuing operations of our Group.
- (7) Calculated based on PAT attributable to owner of our Company over the enlarged total number of 844,972,480 Shares immediately after our IPO.

12.1.2 Historical audited combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 30 June 2021, 30 June 2022 and 30 June 2023, which have been extracted from the Accountants' Report included in Section 13 of this Prospectus:

	Audited		
	As at 30 June		
	2021	2022	2023
	RM'000	RM'000	RM'000
Total non-current assets	70,032	67,418	90,195
Total current assets	85,474	100,668	102,546
Asset of disposal group classified as held for sale	3,393	3,160	3,063
Total assets	158,899	171,246	195,804
Total non-current liabilities	24,566	26,112	28,167
Total current liabilities	62,044	68,861	59,923
Liabilities of disposal group classified as held for sale	410	382	350
Total liabilities	87,020	95,355	88,440
Net assets	71,879	75,891	107,364
Share capital	34,855	34,855	34,855
Reserves	36,425	39,739	70,295
Equity attributable to owner of the combining entities	71,280	74,594	105,150
Non-controlling interest	599	1,297	2,214
Total equity	71,879	75,891	107,364

12. FINANCIAL INFORMATION

12.2 CAPITALISATION AND INDEBTEDNESS

The table below sets out our capitalisation and indebtedness based on the latest unaudited financial information as at 31 January 2024 and after adjusting the effects of the Public Issue and use of proceeds.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 January 2024 and is provided for illustrative purposes only.

	Unaudited as at 31 January 2024 RM'000	(I) After Public Issue RM'000	(II) After (I) and use of proceeds RM'000
Capitalisation			
Invested equity	34,855	[•]	[•]
Reserves	81,458	[•]	[•]
Total capitalisation	116,313	[•]	[•]
Indebtedness			
<u>Current</u>			
<u>Secured and guaranteed</u>			
• Bank overdrafts	312	312	312
• Invoice financing	11,928	11,928	11,928
• Bankers' Acceptances	6,624	6,624	6,624
• Revolving credits	10,000	10,000	10,000
• Term loans	1,555	1,555	1,555
• Lease liabilities ⁽¹⁾	2,239	2,239	2,239
<u>Secured and unguaranteed</u>			
• Term loans	8	8	8
<u>Non-current</u>			
<u>Secured and guaranteed</u>			
• Term loans	28,709	28,709	28,709
• Lease liabilities ⁽¹⁾	2,855	2,855	2,855
Total indebtedness	64,230	64,230	64,230
Total capitalisation and indebtedness	180,543	[•]	[•]
Gearing ratio (times) ⁽²⁾	0.55	[•]	[•]

Notes:

(1) Lease liabilities comprised hire purchases recognised in accordance with MFRS 16.

(2) Calculated based on total indebtedness divided by total capitalisation.

12. FINANCIAL INFORMATION**12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following management's discussion and analysis of our Group's financial conditions and results of operations for the FYE Under Review should be read in conjunction with the combined financial statements of our Group and the accompanying notes as set out in the Accountants' Report which are included in Section 13 of this Prospectus.

There are no accounting policies which are peculiar to our Group. For further details on the accounting policies of our Group, please refer to Note 3 of the Accountants' Report as set out in Section 13 of this Prospectus.

12.3.1 Overview of our operations

We are specialists in security seals supported by our manufacturing facilities in Malaysia, and sales and technical support offices in Malaysia and 11 foreign countries. Our business activities are as follows:

- (i) Design and manufacturing: We design and manufacture a range of security seals comprising plastic seals, container seals, cable seals and security bags. Revenue generated from this segment is recognised at a point in time when the control of goods is transferred to our customer, which is upon the delivery of goods and acceptance by them; and
- (ii) Trading and related services: We carry out trading of load securement products, and other related products and services. Revenue from:
 - (a) the trading segment is recognised at a point in time when the control of goods is transferred to our customer, which is upon the delivery of goods and acceptance by them; and
 - (b) the provision of related services for the distribution and maintenance of playing card security box tracking software system is recognised over time throughout the period of the contract using input method.

Please refer to Section 7 of this Prospectus for further details on our business overview.

As at the LPD, we have operations in 12 countries comprising Malaysia and 11 foreign countries in various regions including Asia Pacific, Americas, Europe and Middle East. The financial statements of our operations in Malaysia are prepared in RM and sales to our customers in Malaysia are denominated in RM, while products exported to foreign countries from our Malaysia operations are transacted mainly in USD.

The financial statements of our subsidiaries operating in Malaysia and foreign countries are prepared in the respective functional currencies as below:

Company	Companies within our Group	Currency
Fortrich Manufacturing	Subsidiary	RM
Our Company	Holding	RM
Mega Fortris Americas	Subsidiary	USD
Mega Fortris AUS	Subsidiary	AUD
Mega Fortris BNL	Subsidiary	EUR
Mega Fortris Europe	Subsidiary	DKK
Mega Fortris France	Subsidiary	EUR
Mega Fortris Hong Kong	Subsidiary	HKD
Mega Fortris HU	Subsidiary	HUF

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Company	Companies within our Group	Currency
Fortrich Manufacturing	Subsidiary	RM
Mega Fortris ME	Subsidiary	USD
Mega Fortris NZ	Subsidiary	NZD
Mega Fortris Security Bags	Subsidiary	RM
Mega Fortris SG	Subsidiary	SGD
Mega Fortris UK	Subsidiary	GBP
Others:		
Mega Fortris LSN ⁽¹⁾	Subsidiary	DKK
Mega Fortris Mzansi ⁽²⁾	Subsidiary	ZAR
Mega Fortris South Africa ⁽²⁾	Subsidiary	ZAR

Notes:

- (1) Ceased business in 2023.
- (2) Ceased business in 2021. As at the LPD, Mega Fortris South Africa and Mega Fortris Mzansi are under liquidation.

Our combined financial statements are presented in RM, which is our Group's functional and presentation currency.

The foreign currency exchange rates used in our Group's combined financial statements for conversion of values denominated in foreign currencies to RM are summarised in the following table:

Average exchange rate relative to the following foreign currencies	Change in the value of RM relative to the respective foreign currency ⁽¹⁾				
	FYE 2021	FYE 2022	FYE 2023	FYE	FYE
				2021-2022	2022-2023
	RM	RM	RM		
• AUD1.00	3.083	3.066	3.025	(0.55%)	(1.34%)
• DKK1.00	0.663	0.641	0.635	(3.32%)	(0.94%)
• EUR1.00	4.929	4.769	4.722	(3.25%)	(0.99%)
• GBP1.00	5.586	5.623	5.440	0.66%	(3.25%)
• HKD1.00	0.532	0.542	0.574	1.88%	5.90%
• HUF1.00	0.014	0.013	0.012	(7.14%)	(7.69%)
• NZD1.00	2.876	2.870	2.766	(0.21%)	(3.62%)
• SGD1.00	3.068	3.113	3.297	1.47%	5.91%
• USD1.00	4.123	4.233	4.503	2.67%	6.38%

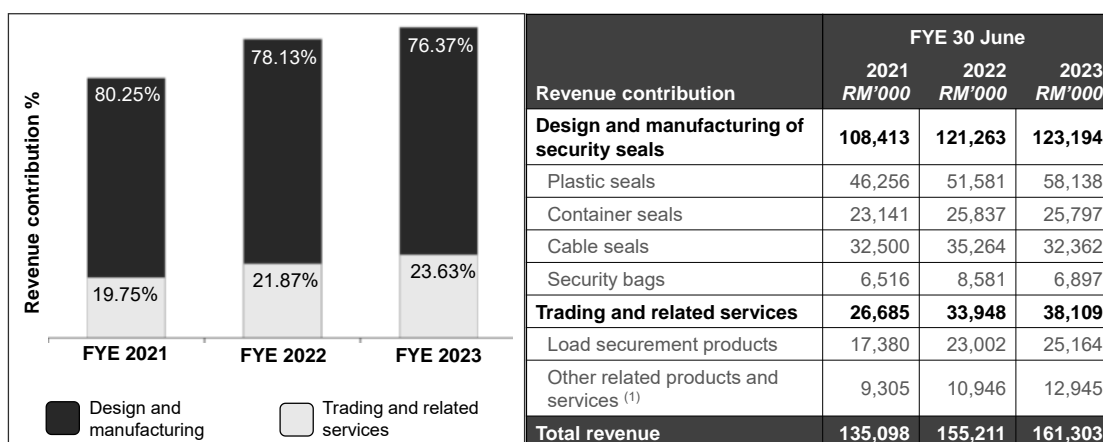
Note:

- (1) A positive change in value indicates that the value of the RM depreciated relative to the respective foreign currencies, while a negative change in value indicates that the value of the RM appreciated relative to the respective foreign currencies.

Please refer to Note 31 of the Accountants' Report set out in Section 13 of this Prospectus for further details on the foreign exchange risk.

12. FINANCIAL INFORMATION

Between FYE 2021 and FYE 2023, our revenue increased at a CAGR of 9.27%, from RM135.10 million in FYE 2021 to RM161.30 million in FYE 2023.



Note:

- (1) Include other tamper-evident products comprising security tapes and labels, and other related products such as security boxes and bags, TITO tickets and UV casino scanners, as well as the distribution and maintenance of playing card security box tracking software system.

Our revenue from design and manufacturing of security seals increased at a CAGR of 6.60% between FYE 2021 and FYE 2023, from RM108.41 million in FYE 2021 to RM123.19 million in FYE 2023. Revenue from this segment accounted for 76.37% of our total revenue in FYE 2023.

Our revenue from trading and related services increased at a CAGR of 19.50% between FYE 2021 and FYE 2023, from RM26.69 million in FYE 2021 to RM38.11 million in FYE 2023. Revenue from trading and related services accounted for 23.63% of our total revenue in FYE 2023.

For the FYE Under Review, our revenue was mainly derived from our foreign operations, which accounted for 78.65%, 79.27% and 75.48% of our total revenue for FYE 2021, FYE 2022 and 2023 respectively. Revenue from our Malaysia operations accounted for 21.35%, 20.73% and 24.52% of our total revenue for FYE 2021, FYE 2022 and 2023 respectively.

12. FINANCIAL INFORMATION**12.3.2 Revenue****(i) Revenue segmentation by business activities and products**

	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Design and manufacturing						
In-house designed and manufactured security seals ⁽¹⁾	108,413	80.25	121,263	78.13	123,194	76.37
• Plastic seals	46,256	34.24	51,581	33.23	58,138	36.04
• Container seals	23,141	17.13	25,837	16.65	25,797	15.99
• Cable seals	32,500	24.06	35,264	22.72	32,362	20.06
• Security bags	6,516	4.82	8,581	5.53	6,897	4.28
Trading and related services						
Externally sourced	26,685	19.75	33,948	21.87	38,109	23.63
• Load securement products	17,380	12.86	23,002	14.82	25,164	15.60
• Other related products and services ⁽²⁾	9,305	6.89	10,946	7.05	12,945	8.03
Total revenue	135,098	100.00	155,211	100.00	161,303	100.00

Notes:

- (1) Include security seals that were produced by Shaoxing Mega Fortris, our previous subsidiary with a security seal manufacturing facility in China before its cessation of manufacturing operations in April 2022. For FYE 2021 and FYE 2022, the purchase of complete security seals from Shaoxing Mega Fortris was RM11.55 million and RM8.54 million respectively. The company was subsequently dissolved on 21 March 2023.
- (2) Include other tamper-evident products comprising security tapes and labels, and other related products such as security boxes and bags, TITO tickets and UV casino scanners, as well as distribution and maintenance of playing card security box tracking software system.

12. FINANCIAL INFORMATION**(ii) Revenue segmentation by country of operations and products****Revenue by region and country of operations**

	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Foreign operations ⁽¹⁾	106,253	78.65	123,042	79.27	121,752	75.48
Europe	53,449	39.57	57,866	37.28	53,189	32.98
• UK	23,057	17.07	27,562	17.75	28,563	17.70
• Denmark	16,550	12.25	15,987	10.30	10,155	6.30
• Hungary	6,777	5.02	5,674	3.66	5,449	3.38
• France	4,642	3.44	5,643	3.64	5,978	3.71
• Netherlands	2,423	1.79	3,000	1.93	3,044	1.89
Americas	32,464	24.03	42,565	27.42	42,081	26.09
• USA	32,464	24.03	42,565	27.42	42,081	26.09
Other Asia Pacific	13,890	10.28	14,667	9.45	16,812	10.42
• Australia	7,449	5.51	6,631	4.27	8,650	5.36
• New Zealand	4,441	3.29	5,679	3.66	5,331	3.30
• Singapore	1,730	1.28	2,136	1.38	2,548	1.58
• Hong Kong	270	0.20	221	0.14	283	0.18
Middle East	6,450	4.77	7,944	5.12	9,670	5.99
• UAE (Dubai)	6,450	4.77	7,944	5.12	9,670	5.99
Malaysia operations	28,845	21.35	32,169	20.73	39,551	24.52
Total revenue	135,098	100.00	155,211	100.00	161,303	100.00

Note:

- (1) Foreign operations refer to revenue derived from our foreign subsidiaries for the sales of our in-house designed and manufactured security seals from Malaysia, and the sales of externally sourced related products and services.

12. FINANCIAL INFORMATION**Revenue by region and country of operations, and products**

	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Foreign operations ⁽¹⁾	106,253	78.65	123,042	79.27	121,752	75.48
In-house designed and manufactured security seals	80,785	59.80	91,238	58.78	86,527	53.64
• Plastic seals	30,035	22.24	34,993	22.54	34,065	21.11
• Container seals	15,363	11.37	18,149	11.69	17,286	10.72
• Cable seals	30,775	22.78	33,104	21.33	29,579	18.34
• Security bags	4,612	3.41	4,992	3.22	5,597	3.47
Externally sourced	25,468	18.85	31,804	20.49	35,225	21.84
• Load securement products	17,377	12.86	23,000	14.82	25,162	15.60
• Other related products and services	8,091	5.99	8,804	5.67	10,063	6.24
Malaysia operations	28,845	21.35	32,169	20.73	39,551	24.52
In-house designed and manufactured security seals	27,628	20.45	30,025	19.34	36,667	22.73
• Plastic seals	16,221	12.01	16,588	10.69	24,073	14.92
• Container seals	7,778	5.76	7,688	4.95	8,511	5.28
• Cable seals	1,725	1.28	2,160	1.39	2,783	1.73
• Security bags	1,904	1.40	3,589	2.31	1,300	0.80
Externally sourced	1,217	0.90	2,144	1.39	2,884	1.79
• Load securement products	3	#	2	#	2	#
• Other related products and services	1,214	0.90	2,142	1.39	2,882	1.79
Total revenue	135,098	100.00	155,211	100.00	161,303	100.00

Notes:

Less than 0.01%.

- (1) Foreign operations refer to revenue derived from our foreign subsidiaries for the sales of our in-house designed and manufactured security seals from Malaysia, and the sales of externally sourced related products and services.

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	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Foreign operations ⁽¹⁾	106,253	78.65	123,042	79.27	121,752	75.48
In-house designed and manufactured security seals	80,785	59.80	91,238	58.78	86,527	53.64
Plastic seals	30,035	22.24	34,993	22.55	34,065	21.12
• USA	9,594	7.11	14,053	9.06	13,712	8.50
• Europe ⁽²⁾	13,408	9.92	13,965	9.00	13,452	8.34
• Other Asia Pacific ⁽³⁾	6,048	4.48	6,303	4.06	5,954	3.69
• Middle East (UAE)	985	0.73	672	0.43	947	0.59
Container seals	15,363	11.37	18,149	11.69	17,286	10.71
• USA	9,830	7.28	11,785	7.59	11,904	7.38
• Europe ⁽²⁾	4,492	3.32	4,994	3.22	4,004	2.48
• Other Asia Pacific ⁽³⁾	945	0.70	1,102	0.71	1,212	0.75
• Middle East (UAE)	96	0.07	268	0.17	166	0.10
Cable seals	30,775	22.78	33,104	21.33	29,579	18.34
• USA	12,903	9.55	16,491	10.62	16,044	9.95
• Europe ⁽²⁾	15,727	11.64	13,713	8.84	11,163	6.92
• Other Asia Pacific ⁽³⁾	1,879	1.39	2,764	1.78	2,248	1.39
• Middle East (UAE)	266	0.20	136	0.09	124	0.08
Security bags	4,612	3.41	4,992	3.21	5,597	3.47
• USA	107	0.08	104	0.07	118	0.07
• Europe ⁽²⁾	2,656	1.97	2,691	1.73	1,019	0.63
• Other Asia Pacific ⁽³⁾	816	0.60	887	0.57	1,802	1.12
• Middle East (UAE)	1,033	0.76	1,310	0.84	2,658	1.65
Externally sourced	25,468	18.85	31,804	20.49	35,225	21.84
Load securement products	17,377	12.86	23,000	14.82	25,162	15.60
• USA	-	-	-	-	-	-
• Europe ⁽²⁾	13,733	10.16	18,077	11.65	19,994	12.40
• Other Asia Pacific ⁽³⁾	-	-	-	-	-	-
• Middle East (UAE)	3,644	2.70	4,923	3.17	5,168	3.20
Other related products and services	8,091	5.99	8,804	5.67	10,063	6.24
• USA	30	0.02	132	0.09	303	0.18
• Europe ⁽²⁾	3,433	2.54	4,426	2.85	3,557	2.21
• Other Asia Pacific ⁽³⁾	4,202	3.11	3,611	2.33	5,596	3.47
• Middle East (UAE)	426	0.32	635	0.40	607	0.38

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	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Malaysia operations	28,845	21.35	32,169	20.73	39,551	24.52
In-house designed and manufactured security seals	27,628	20.45	30,025	19.34	36,667	22.73
• Plastic seals	16,221	12.01	16,588	10.69	24,073	14.92
• Container seals	7,778	5.76	7,688	4.95	8,511	5.28
• Cable seals	1,725	1.28	2,160	1.39	2,783	1.73
• Security bags	1,904	1.40	3,589	2.31	1,300	0.80
Externally sourced products	1,217	0.90	2,144	1.39	2,884	1.79
• Load securement products	3	#	2	#	2	#
• Other related products and services	1,214	0.90	2,142	1.39	2,882	1.79
Total revenue	135,098	100.00	155,211	100.00	161,303	100.00

Notes:

Less than 0.01%.

(1) Foreign operations refer to revenue derived from our foreign subsidiaries for the sales of our in-house designed and manufactured security seals from Malaysia, and the sales of externally sourced security-related products and services.

(2) Includes our operations in UK, Denmark, Hungary, France and Netherlands.

(3) Includes our operations in Australia, New Zealand, Singapore and Hong Kong.

(iii) Sale volume of in-house designed and manufactured security seals by country of operations and products

	FYE 2021 Quantity '000	FYE 2022 Quantity '000	FYE 2023 Quantity '000
Total Group			
In-house designed and manufactured security seals	426,704	423,894	401,131
• Plastic seals	340,070	338,101	332,492
• Container seals	34,997	38,663	31,317
• Cable seals	41,122	34,120	26,960
• Security bags	10,515	13,010	10,362

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	FYE 2021	FYE 2022	FYE 2023
	Quantity	Quantity	Quantity
	'000	'000	'000
Foreign operations ⁽¹⁾			
In-house designed and manufactured security seals	140,559	145,282	131,905
Plastic seals	107,467	114,928	106,065
• USA	36,375	50,515	46,825
• Europe ⁽²⁾	52,499	46,669	40,279
• Other Asia Pacific ⁽³⁾	16,110	15,836	16,107
• Middle East (UAE)	2,483	1,908	2,854
Container seals	13,828	14,035	11,515
• USA	6,553	7,314	6,703
• Europe ⁽²⁾	6,589	5,814	4,024
• Other Asia Pacific ⁽³⁾	631	749	702
• Middle East (UAE)	55	158	86
Cable seals	17,152	14,587	10,980
• USA	4,407	4,796	4,295
• Europe ⁽²⁾	12,312	9,286	6,372
• Other Asia Pacific ⁽³⁾	354	459	263
• Middle East (UAE)	79	46	50
Security bags	2,112	1,732	3,345
• USA	-	-	-
• Europe ⁽²⁾	762	522	677
• Other Asia Pacific ⁽³⁾	1,279	1,096	2,189
• Middle East (UAE)	71	114	479
Malaysia operations			
In-house designed and manufactured security seals	286,145	278,612	269,226
• Plastic seals	232,603	223,173	226,427
• Container seals	21,169	24,628	19,802
• Cable seals	23,970	19,533	15,980
• Security bags	8,403	11,278	7,017

Notes:

- (1) Foreign operations refer to revenue derived from our foreign subsidiaries for the sales of our in-house designed and manufactured security seals from Malaysia, and the sales of externally sourced related products and services.
- (2) Includes our operations in UK, Denmark, Hungary, France and Netherlands.
- (3) Includes our operations in Australia, New Zealand, Singapore and Hong Kong.

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FYE 2022 compared to FYE 2021

Our revenue increased by RM20.11 million or 14.89% to RM155.21 million in FYE 2022 (FYE 2021: RM135.10 million), attributed to the increase in revenue from our design and manufacturing segment, and trading and related services segment.

(i) **Design and manufacturing segment (in-house designed and manufactured security seals)**

Our revenue from in-house designed and manufactured security seals increased by RM12.85 million or 11.85% to RM121.26 million in FYE 2022 (FYE 2021: RM108.41 million). The sales performance of in-house designed and manufactured security seals from our foreign operations and Malaysia operations was as follows:

- **Foreign operations:** Revenue from the sales of in-house designed and manufactured security seals from our foreign operations increased by RM10.45 million or 12.94% to RM91.24 million in FYE 2022 (FYE 2021: RM80.79 million), mainly contributed by our operations in the USA.

Revenue from our operations in the USA for the sales of in-house designed and manufactured security seals increased by RM10.00 million or 30.83% to RM42.43 million in FYE 2022 (FYE 2021: RM32.43 million). This was mainly contributed by higher demand of our security seals namely plastic seals, container seals and cable seals from customers as reflected in the increase in sales volume by 32.30% to 62.63 million pieces in FYE 2022. (FYE 2021: 47.34 million pieces).

- **Malaysia operations:** Revenue from the sales of in-house designed and manufactured security seals from our Malaysia operations increased by RM2.40 million or 8.68% to RM30.03 million in FYE 2022 (FYE 2021: RM27.63 million). This was primarily driven by higher demand of security bags as reflected in the increase in sales volume of security bags from our Malaysia operations by 34.21% to 11.28 million pieces in FYE 2022 (FYE 2021: 8.40 million pieces). This was also partly contributed by the increase in average selling price of security bags by 39.13% in FYE 2022.

(ii) **Trading and related services segment (externally sourced)**

Our revenue from the trading and related services segment increased by RM7.26 million or 27.22% to RM33.95 million in FYE 2022 (FYE 2021: RM26.69 million). The growth was contributed by higher trading sales of externally sourced products from our foreign operations and Malaysia operations as follows:

- **Foreign operations:** Revenue from the trading segment of our foreign operations increased by RM6.34 million or 24.88% to RM31.80 million in FYE 2022 (FYE 2021: RM25.47 million). This was mainly contributed by higher revenue from the trading sales of load securement products from our operations in:

- (a) Europe which increased by RM4.34 million or 31.63% to RM18.08 million in FYE 2022 (FYE 2021: RM13.73 million). This was mainly attributed to higher demand from customers as reflected in the increase in sales volume by 6.34% in FYE 2022 from our operations in Europe; and
- (b) UAE in the Middle East region which increased by RM1.28 million or 35.10% to RM4.92 million in FYE 2022 (FYE 2021: RM3.64 million). This was mainly attributed to higher demand from customers as reflected in the increase in sales volume by 2.78% in FYE 2022 from our operations in UAE.

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- **Malaysia operations:** Revenue from the trading segment of our Malaysia operations increased by RM0.93 million or 76.17% to RM2.14 million in FYE 2022 (FYE 2021: RM1.22 million). This was contributed by higher trading sales of other tamper-evident products such as security tapes and labels, and income from the distribution and maintenance of playing card security box tracking system.

FYE 2023 compared to FYE 2022

Our revenue increased by RM6.09 million or 3.92% to RM161.30 million in FYE 2023 (FYE 2022: RM155.21 million), attributed to the increase in revenue from our trading and related services segment, and our design and manufacturing segment.

(i) **Design and manufacturing segment (in-house designed and manufactured security seals)**

Our revenue from in-house designed and manufactured security seals increased by RM1.93 million or 1.59% to RM123.19 million in FYE 2023 (FYE 2022: RM121.26 million). This was contributed by the improvement in the sales performance from our Malaysia operations. The sales performance of in-house designed and manufactured security seals from our foreign and Malaysia operations was as follows:

- **Foreign operations:** Revenue from the sales of in-house designed and manufactured security seals from our foreign operations decreased by RM4.71 million or 5.16% to RM86.53 million in FYE 2023 (FYE 2022: RM91.24 million), mainly contributed by our operations in certain countries of the following regions:

- (a) Revenue from our operations in Europe for the sales of in-house designed and manufactured security seals decreased by RM5.73 million or 16.19% to RM29.64 million in FYE 2023 (FYE 2022: RM35.36 million). This was reflected in the decrease in sales volume from our operations in Europe by 17.56% to 51.35 million pieces in FYE 2023 (FYE 2022: 62.29 million pieces), where the lower demand was mainly affected by the economic conditions and lower trade activities in the region.

The lower revenue from our operations in Europe for the sales of in-house designed and manufactured security seals was mainly contributed by the decrease in revenue from our operations in Denmark by RM5.86 million or 45.55% to RM7.01 million in FYE 2023 (FYE 2022: RM12.88 million), attributed to lower orders of security seals.

- (b) The decrease was partially moderated by the increase in revenue from our operations in the UAE, which increased by RM1.51 million or 63.24% to RM3.90 million in FYE 2023 (FYE 2022: RM2.39 million). This was also reflected in the increase in sales volume by 55.84% to 3.47 million pieces in FYE 2023 (FYE 2022: 2.23 million pieces), mainly attributed to higher demand of plastic seals and security bags in the region.

- **Malaysia operations:** Revenue for the sales of in-house designed and manufactured seals from our Malaysia operations increased by RM6.64 million or 22.12% to RM36.67 million in FYE 2023 (FYE 2022: RM30.03 million). This was mainly attributed to higher revenue from:

- (a) plastic seals, which increased by RM7.49 million or 45.12% to RM24.07 million in FYE 2023 (FYE 2022: RM16.59 million) as reflected in the increase in sales volume by 1.46% to 226.43 million pieces in FYE 2023 (FYE 2022: 223.17 million pieces) and higher average selling price which increased by 57.14% in FYE 2023; and

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- (b) container seals and cable seals, which increased by RM0.82 million and RM0.62 million in FYE 2023 respectively. This was due to higher average selling prices of container seals and cable seals which increased by 38.71% and 54.55% in FYE 2023 respectively. Meanwhile, the sales volume of container seals and cable seals from our Malaysia operations decreased by 19.60% and 18.19% in FYE 2023 respectively.

(ii) Trading and related services segment (externally sourced products)

Our revenue from trading and related services segment increased by RM4.16 million or 12.26% to RM38.11 million in FYE 2023 (FYE 2022: RM33.95 million). The growth was contributed by higher trading sales of externally sourced products from our foreign operations and Malaysia operations as follows:

- **Foreign operations:** Revenue from the trading and related services segment of our foreign operations increased by RM3.42 million or 10.76% to RM35.23 million in FYE 2023 (FYE 2022: RM31.80 million). This was mainly contributed by higher revenue from the trading sales of:
 - (a) load securement products from our operations in Europe which increased by RM1.92 million or 10.60% to RM19.99 million in FYE 2023 (FYE 2022: RM18.08 million). This was mainly attributed to higher demand from customers as reflected in the increase in sales volume by 14.44% from our operations in Europe; and
 - (b) other related products and services from our operations in the other Asia Pacific region which increased by RM1.99 million or 54.97% to RM5.60 million in FYE 2023 (FYE 2022: RM3.61 million). This was mainly due to higher trading sales of other tamper-evident products such as security tapes and labels from our operation in Australia.
- **Malaysia operations:** Revenue from the trading segment from our Malaysia operations increased by RM0.74 million or 34.51% to RM2.88 million in FYE 2023 (FYE 2022: RM2.14 million). This was mainly contributed by higher trading sales of other tamper-evident products namely, TITO tickets.

12. FINANCIAL INFORMATION**12.3.3 Cost of sales****(i) Cost of sales by cost components**

	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Material and product costs	54,021	61.87	61,671	59.50	60,286	60.54
• Input materials and consumables	22,341	25.59	27,781	26.80	31,918	32.05
• Finished goods for trading operations	31,680	36.28	33,890	32.70	28,368	28.49
Labour costs	15,158	17.36	15,771	15.22	17,592	17.67
Others	18,128	20.77	26,200	25.28	21,701	21.79
• Freight and logistics costs	5,553	6.36	12,604	12.16	8,477	8.51
• Production overheads	4,529	5.19	4,970	4.80	4,863	4.88
• Depreciation of right-of-use assets	3,273	3.75	3,870	3.73	4,165	4.18
• Depreciation of property, plant and equipment	2,114	2.42	2,030	1.96	1,798	1.81
• Others ⁽¹⁾	2,659	3.05	2,726	2.63	2,398	2.41
Total cost of sales	87,307	100.00	103,642	100.00	99,579	100.00

Note:

(1) Others mainly include customs duties and fees, and subcontractor costs.

(ii) Cost of sales by business activities and products

	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Design and manufacturing						
In-house designed and manufactured security seals ⁽¹⁾	67,386	77.18	74,565	71.94	71,427	71.73
• Plastic seals	29,090	33.32	32,589	31.44	34,368	34.51
• Container seals	16,132	18.48	17,949	17.32	16,070	16.14
• Cable seals	20,193	23.13	20,897	20.16	18,579	18.66
• Security bags	1,971	2.25	3,130	3.02	2,410	2.42
Trading and related services						
Externally sourced	19,921	22.82	29,077	28.06	28,152	28.27
• Load securement products	12,240	14.02	19,492	18.81	19,308	19.39
• Other related products and services ⁽²⁾	7,681	8.80	9,585	9.25	8,844	8.88
Total cost of sales	87,307	100.00	103,642	100.00	99,579	100.00

12. FINANCIAL INFORMATION**Notes:**

- (1) Include security seals that were produced by Shaoxing Mega Fortris, our previous subsidiary with a security seal manufacturing facility in China before its cessation of manufacturing operations in April 2022. For FYE 2021 and FYE 2022, the purchase of complete security seals from Shaoxing Mega Fortris was RM11.55 million and RM8.54 million respectively.

The company was subsequently dissolved on 21 March 2023.

- (2) Include other tamper-evident products comprising security tapes and labels, and other related products such as security boxes and bags, TITO tickets and UV casino scanners, as well as distribution and maintenance of playing card security box tracking software system.

(iii) Cost of sales by region and country of operations, and products

	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Foreign operations ⁽¹⁾	59,701	68.38	74,589	71.97	68,216	68.50
In-house designed and manufactured security seals	41,014	46.98	47,217	45.56	42,254	42.43
Plastic seals	14,117	16.17	16,741	16.15	15,133	15.20
• USA	5,397	6.18	7,625	7.36	6,411	6.44
• Europe ⁽²⁾	6,499	7.44	6,805	6.57	6,028	6.05
• Other Asia Pacific ⁽³⁾	2,078	2.38	2,073	2.00	2,219	2.23
• Middle East (UAE)	143	0.17	238	0.22	475	0.48
Container seals	7,505	8.60	10,728	10.35	9,248	9.29
• USA	4,682	5.36	6,884	6.64	6,193	6.22
• Europe ⁽²⁾	2,271	2.60	3,337	3.22	2,364	2.37
• Other Asia Pacific ⁽³⁾	507	0.58	394	0.38	604	0.61
• Middle East (UAE)	45	0.06	113	0.11	87	0.09
Cable seals	19,033	21.80	19,312	18.64	16,545	16.61
• USA	6,864	7.86	8,653	8.35	9,888	9.93
• Europe ⁽²⁾	11,403	13.06	9,687	9.35	5,696	5.72
• Other Asia Pacific ⁽³⁾	760	0.87	939	0.91	917	0.92
• Middle East (UAE)	6	0.01	33	0.03	44	0.04
Security bags	359	0.41	436	0.42	1,328	1.33
• USA	1	#	35	0.03	121	0.12
• Europe ⁽²⁾	133	0.15	90	0.09	181	0.18
• Other Asia Pacific ⁽³⁾	225	0.26	311	0.30	806	0.81
• Middle East (UAE)	-	-	-	-	220	0.22
Externally sourced	18,687	21.40	27,372	26.41	25,962	26.07
Load securement products	12,238	14.01	19,490	18.80	19,306	19.39
• USA	2	#	-	-	-	-
• Europe ⁽²⁾	10,097	11.56	15,684	15.13	15,019	15.08
• Other Asia Pacific ⁽³⁾	-	-	-	-	-	-
• Middle East (UAE)	2,139	2.45	3,806	3.67	4,287	4.31

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	FYE 2021		FYE 2022		FYE 2023	
	RM '000	%	RM '000	%	RM '000	%
Other related products and services	6,449	7.39	7,882	7.61	6,656	6.68
• USA	199	0.23	173	0.17	270	0.27
• Europe ⁽²⁾	3,220	3.69	4,752	4.59	3,303	3.32
• Other Asia Pacific ⁽³⁾	2,107	2.41	1,725	1.66	2,553	2.56
• Middle East (UAE)	923	1.06	1,232	1.19	530	0.53
Malaysia operations	27,606	31.62	29,053	28.03	31,363	31.50
In-house designed and manufactured security seals	26,372	30.21	27,348	26.39	29,173	29.30
• Plastic seals	14,973	17.15	15,848	15.29	19,235	19.32
• Container seals	8,627	9.88	7,221	6.97	6,822	6.85
• Cable seals	1,160	1.33	1,585	1.53	2,034	2.04
• Security bags	1,612	1.85	2,694	2.60	1,082	1.09
Externally sourced products	1,234	1.41	1,705	1.64	2,190	2.20
• Load securement products	2	#	2	#	2	#
• Other related products and services	1,232	1.41	1,703	1.64	2,188	2.20
Total cost of sales	87,307	100.00	103,642	100.00	99,579	100.00

Notes:

Less than 0.01%.

(1) Foreign operations refer to cost of sales incurred by our foreign subsidiaries for our in-house designed and manufactured security seals, and the externally sourced security-related products and services.

(2) Includes our operations in UK, Denmark, Hungary, France and Netherlands.

(3) Includes our operations in Australia, New Zealand, Singapore and Hong Kong.

12. FINANCIAL INFORMATION

(i) Material and product costs

Material and product costs accounted for 61.87%, 59.50% and 60.54% of the total cost of sales for FYE 2021, FYE 2022 and FYE 2023 respectively. Our material and product costs comprise the following:

- (a) Input materials and consumables for our security seal manufacturing operations mainly include costs incurred to purchase:
 - (1) parts and components, plastic resins, masterbatch and other additives, plastic sheets, tapes and films, and packaging and related materials;
 - (2) tooling and related materials for the fabrication of moulds; and
 - (3) security seals that were produced by Shaoxing Mega Fortris, our previous subsidiary with a security seal manufacturing facility in China before its cessation of manufacturing operations in April 2022. For FYE 2021 and FYE 2022, the purchase of complete security seals from Shaoxing Mega Fortris was RM11.55 million and RM8.54 million respectively. The company was subsequently dissolved on 21 March 2023.
- (b) Finished goods for our trading operations mainly include costs incurred to purchase load securement products such as dunnage bags, polyester cord strapping and lashing systems, as well as other related products comprising security tapes and labels, and other related products.

FYE 2022 compared to FYE 2021

For FYE 2022, the material and product costs increased by RM7.65 million or 14.16% to RM61.67 million (FYE 2021: RM54.02 million). This was attributed to the following:

- (a) higher input materials used for our security seal manufacturing operations arising from the increase in sales volume of container seals and security bags in FYE 2022; and
- (b) higher input material mainly plastic resins as reflected in the increase in our average purchase price of plastic resins that grew by approximately 16.26% per tonne in FYE 2022.

The increase was also partly attributed to higher purchases of load securement products for trading operations. This was reflected in the increase in trading sales volume of load securement products by 6.33% in FYE 2022.

FYE 2023 compared to FYE 2022

For FYE 2023, the material and product costs decreased by RM1.39 million or 2.25% to RM60.29 million (FYE 2022: RM61.67 million), attributed to a decrease in costs of finished goods for our trading and related services segment. This was reflected in the proportion of cost of sales over revenue which decreased by 11.78% due to the product mix relating to other tamper-evident products.

12. FINANCIAL INFORMATION**(ii) Labour costs**

Labour costs consist of salaries, wages, allowances, employee contributions and other related costs.

FYE 2022 compared to FYE 2021

For FYE 2022, the labour costs increased by RM0.61 million or 4.04% to RM15.77 million (FYE 2021: RM15.16 million). This was mainly attributed to additional costs arising from higher wages paid to contractual workers and increased compensation for our existing workers as reflected in the increase in average cost per worker by 20.72% in FYE 2022. Our operating condition was also impacted by a shortage of production workers brought on by the hiring freeze on foreign labour in Malaysia between June 2020 and August 2022.

FYE 2023 compared to FYE 2022

For FYE 2023, the labour costs increased by RM1.82 million or 11.55% to RM17.59 million (FYE 2022: RM15.77 million), mainly attributed to the increase in the number of employees at our production floor for our Malaysia operation. The number of production floor employees increased by 27.88% to 399 employees in FYE 2023 (FYE 2022: 312 employees). In FYE 2023, we expanded our production floor resources to cater for the increased production activities following the cessation of our manufacturing operations in China in April 2022, which was previously undertaken by Shaoxing Mega Fortris. The increase in labour costs was also partly attributed to the increase in minimum wage to RM1,500, which took effect on 1 May 2022.

(iii) Others**FYE 2022 compared to FYE 2021**

For FYE 2022, the other cost of sales increased by RM8.07 million or 44.53% to RM26.20 million (FYE 2021: RM18.13 million), mainly attributed to higher freight and logistics costs affected by the higher sea freight rates. The freight and logistics costs increased by RM7.05 million or 126.98% to RM12.60 million in FYE 2022 (FYE 2021: RM5.55 million) as our products are shipped to our foreign operations. This was attributed to the higher demand for in-house designed and manufactured security seals from our foreign operations which increased by 3.36% to 145.28 million pieces (FYE 2021: 140.56 million pieces). For FYE 2022, our revenue from foreign operations accounted for 79.27% of our total revenue.

FYE 2023 compared to FYE 2022

For FYE 2023, the other cost of sales decreased by RM4.50 million or 17.17% to RM21.70 million (FYE 2022: RM26.20 million) mainly attributed to the decrease in freight and logistics costs by RM4.13 million or 32.74% to RM8.48 million in FYE 2023 (FYE 2022: RM12.60 million) as reflected by the lower sea freight rates. This was attributed to the decrease in demand for our in-house designed and manufactured security seals from our foreign operations which decreased by 9.21% to 131.91 million pieces (FYE 2022: 145.28 million pieces).

12. FINANCIAL INFORMATION

12.3.4 GP and GP margin

(i) GP segmentation by business activities and products

	FYE 2021			FYE 2022			FYE 2023		
	GP		GP margin	GP		GP margin	GP		GP margin
	RM '000	%	%	RM '000	%	%	RM '000	%	%
Design and manufacturing									
In-house designed and manufactured security seals ⁽¹⁾	41,027	85.85	37.84	46,698	90.55	38.51	51,767	83.87	42.02
Trading and related services									
Externally sourced ⁽²⁾	6,764	14.15	25.35	4,871	9.45	14.35	9,957	16.13	26.13
• Load securement products	5,140	10.75	29.57	3,510	6.81	15.26	5,856	9.49	23.27
• Other related products and services	1,624	3.40	17.45	1,361	2.64	12.43	4,101	6.64	31.68
Total GP/Group GP margin	47,791	100.00	35.38	51,569	100.00	33.23	61,724	100.00	38.27

Notes:

- (1) This includes security seals that were produced by Shaoxing Mega Fortris, our previous security seal manufacturing facility in China before its cessation of manufacturing operations in April 2022. For FYE 2021 and FYE 2022, the purchase of complete security seals from Shaoxing Mega Fortris was RM11.55 million and RM8.54 million respectively.

The company was subsequently dissolved on 21 March 2023.

- (2) Externally sourced other related products and services include other tamper-evident products comprising security tapes and labels, other related products, as well as distribution and maintenance of playing card security box tracking software system.

12. FINANCIAL INFORMATION

(ii) GP segmentation by region and country of operations

	FYE 2021			FYE 2022			FYE 2023		
	GP		GP margin	GP		GP margin	GP		GP margin
	RM '000	%	%	RM '000	%	%	RM '000	%	%
Foreign operations	46,552	97.41	43.81	48,453	93.96	39.38	53,536	86.73	43.97
In-house designed and manufactured security seals	39,771	83.22	49.23	44,021	85.36	48.25	44,273	71.73	51.17
Externally sourced	6,781	14.19	26.63	4,432	8.60	13.94	9,263	15.00	26.30
• Load securement products	5,139	10.75	29.57	3,510	6.81	15.26	5,856	9.49	23.27
• Other related products and services	1,642	3.44	20.29	922	1.79	10.47	3,407	5.51	33.86
Malaysia operations	1,239	2.59	4.30	3,116	6.04	9.69	8,188	13.27	20.70
In-house designed and manufactured security seals	1,256	2.63	4.55	2,677	5.19	8.92	7,494	12.14	20.44
Externally sourced	(17)	(0.04)	(1.40)	439	0.85	20.48	694	1.13	24.06
• Load securement products	1	#	33.33	-	-	-	-	-	-
• Other related products and services	(18)	(0.04)	(1.48)	439	0.85	20.49	694	1.13	24.08
Total GP/Group GP margin	47,791	100.00	35.38	51,569	100.00	33.23	61,724	100.00	38.27

Notes:

Less than (0.01%).

(1) Foreign operations refer to GP derived from our subsidiaries in foreign countries for the sales of our in-house designed and manufactured security seals from Malaysia, and the sales of externally sourced security-related products and services.

12. FINANCIAL INFORMATION**FYE 2022 compared to FYE 2021**

Our GP increased by RM3.78 million or 7.91% to RM51.57 million in FYE 2022 (FYE 2021: RM47.79 million), which was contributed by improvement in GP from the design and manufacturing segment. Our GP margin decreased from 35.38% in FYE 2021 to 33.23% in FYE 2022, which was attributed to the trading and related services segment.

(i) Design and manufacturing segment (in-house designed and manufactured security seals)

GP

Our GP from the sales of in-house designed and manufactured security seals increased by RM5.67 million or 13.82% to RM46.70 million in FYE 2022 (FYE 2021: RM41.03 million). The GP performance of our in-house designed and manufactured security seals from our foreign operations and Malaysia operations was as follows:

- **Foreign operations:** GP from the sales of in-house designed and manufactured security seals from our foreign operations increased by RM4.25 million or 10.69% to RM44.02 million in FYE 2022 (FYE 2021: RM39.77 million). This was reflected in the revenue growth of 12.94% from the design and manufacturing segment from our foreign operations in FYE 2022.

The increase in GP from the sales of in-house designed and manufactured security seals from our foreign operations was mainly contributed by the improvement in GP from our operations in:

- (a) USA which increased by RM3.75 million or 24.18% to RM19.24 million in FYE 2022 (FYE 2021: RM15.49 million), as reflected in the revenue growth of 30.83%. This was mainly attributable to the higher demand of security seals from our operations in the USA.
- (b) other Asia Pacific region which increased by RM1.22 million or 19.96% to RM7.34 million, as reflected in the revenue growth of 14.12%. This was mainly attributable to the increase in the average selling prices of our security seals in this region by 15.09%.

- **Malaysia operations:** GP from the sales of in-house designed and manufactured security seals from our Malaysia operations increased by RM1.42 million or 113.14% to RM2.68 million in FYE 2022 (FYE 2021: RM1.26 million). This was reflected in the revenue growth of 8.68% for the sales of in-house designed and manufactured security seals from our Malaysia operations. The improvement in GP was also attributed to the increase in GP from container seals due to the lower cost of sales as reflected in a decrease in average unit cost by 29.27%, resulting from the increase in sales volume by 16.34% in FYE 2022.

GP margin

GP margin from our in-house designed and manufactured security seals improved from 37.84% in FYE 2021 to 38.51% in FYE 2022. This was mainly contributed by the improvement in the GP margin of this segment from our Malaysia operations.

- **Foreign operations:** GP margin from the sales of in-house designed and manufactured security seals from our foreign operations decreased slightly from 49.23% in FYE 2021 to 48.25% in FYE 2022. This was mainly attributed to:
 - (a) the decrease in GP margin from our operations in the USA, UAE and Europe; and

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- (b) the increase in average unit cost by 13.79% in FYE 2022 from our foreign operations,

mainly driven by the increase in (i) the total freight and logistics cost by 126.98% in FYE 2022 and (ii) input material and consumable costs by 24.35% in FYE 2022.

- **Malaysia operations:** GP margin from the sales of in-house designed and manufactured security seals from our Malaysia operations improved from 4.55% in FYE 2021 to 8.92% in FYE 2022. This was attributed to:

- (a) the increase in average selling prices of our security seals by 10.00% in FYE 2022; and

- (b) the improvement in GP margin of our container seals from a gross loss margin of 10.92% in FYE 2021 to a GP margin of 6.07% in FYE 2022, driven by a reduction in the average unit cost sold by 29.27% in FYE 2022.

(ii) Trading and related services segment (externally sourced products)

GP

Our GP from the trading and related services segment decreased by RM1.89 million or 27.99% to RM4.87 million in FYE 2022 (FYE 2021: RM6.76 million), mainly due to lower GP from the trading sales of load securement products from our foreign operations. The GP performance of our externally sourced trading products from our foreign operations and Malaysia operations was as follows:

- **Foreign operations:** GP from the trading and related services segment from our foreign operations decreased by RM2.35 million or 34.64% to RM4.43 million in FYE 2022 (FYE 2021: RM6.78 million). This was attributed to a decrease in the GP from the trading sales of load securement products from our operations in Europe which decreased by RM1.24 million or 34.19% to RM2.39 million in FYE 2022 (FYE 2021: RM3.64 million) primarily due to the higher incoming product costs and higher shipping costs as these products were mainly sourced from China. This was reflected in the proportion of cost of sales over revenue of this type of products in Europe which increased by 13.24% in FYE 2022.
- **Malaysia operations:** The decrease was moderated by the improvement in GP from our Malaysia operations. The GP from the trading and related services segment of our Malaysia operations improved from a gross loss of approximately RM0.02 million in FYE 2021 to a GP of RM0.44 million in FYE 2022. The improvement was contributed by the increase in GP from other tamper-evident products such as security tapes and labels, and the distribution and maintenance of playing card security box tracking system. This was also reflected in the revenue growth of 76.17% from the trading and related services segment in Malaysia in FYE 2022.

GP margin

Our GP margin from the trading and related services segment decreased from 25.35% in FYE 2021 to 14.35% in FYE 2022, mainly attributed to a decrease in GP margin of the trading sales of load securement products from our foreign operations. This was mainly contributed by a decrease in GP margin of the trading sales of load securement products from our operations in Europe from 26.48% in FYE 2021 to 13.24% in FYE 2022, due to the higher costs as reflected in the increase in the proportion of cost of sales over revenue by 13.24% in FYE 2022.

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FYE 2023 compared to FYE 2022

Our GP increased by RM10.16 million or 19.69% to RM61.72 million in FYE 2023 (FYE 2022: RM51.57 million). Our GP margin improved from 33.23% in FYE 2022 to 38.27% in FYE 2023. The improvement in GP and GP margin was contributed by the design and manufacturing segment, and trading and related services segment.

(i) Design and manufacturing segment (in-house designed and manufactured security seals)

GP

Our GP from in-house designed and manufactured security seals increased by RM5.07 million or 10.85% to RM51.77 million in FYE 2023 (FYE 2022: RM46.70 million). The GP performance from our foreign operations and Malaysia operations was as follows:

- **Foreign operations:** GP from the sales of in-house designed and manufactured security seals from our foreign operations increased by RM0.25 million or 0.57% to RM44.27 million (FYE 2022: RM44.02 million). This was contributed by the increase in GP contribution from our operations in the Middle East as reflected in its revenue growth of 63.24% in FYE 2023. The increase in revenue from our operations in the Middle East resulted from the higher demand of security seals as reflected in the increase in sales volume of security seals in the said region by 55.84% in FYE 2023.
- **Malaysia operations:** GP from the sales of our in-house designed and manufactured security seals from our Malaysia operations increased by RM4.82 million or 179.94% to RM7.49 million in FYE 2023 (FYE 2022: RM2.68 million). This was reflected in the revenue growth of 22.12% for the sales of in-house designed and manufactured security seals from our Malaysia operations. The improvement in GP was mainly attributed to the increase in GP from plastic seals and container seals, driven mainly by an increase in average selling prices by 57.14% and 38.71% in FYE 2023 respectively.

GP margin

The GP margin from our in-house designed and manufactured security seals improved from 38.51% in FYE 2022 to 42.02% in FYE 2023, mainly contributed by the improvement in GP margin from our Malaysia operations and certain regions from our foreign operations as follows:

- **Foreign operations:** GP margin from the sales of in-house designed and manufactured security seals from our foreign operations improved from 48.25% in FYE 2022 to 51.17% in FYE 2023. This was mainly attributed to:
 - (a) the increase in GP margin from our operations in Europe due to lower average unit costs in the region on the back of declining freight costs; and
 - (b) the decrease in average unit cost of security seals by 3.03% in FYE 2023 from our foreign operations driven by the decrease in total freight and logistics costs by 32.74% in FYE 2023.
- **Malaysia operations:** GP margin from the sales of in-house designed and manufactured security seals from our Malaysia operations improved from 8.92% in FYE 2022 to 20.44% in FYE 2023. This was attributed to the increase in average selling prices of our security seals by 27.27% in FYE 2023, including plastic seals, container seals and cable seals.

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(ii) Trading and related services segment (externally sourced products)

GP

Our GP from the trading and related services segment increased by RM5.09 million or 104.41% to RM9.96 million in FYE 2023 (FYE 2022: RM4.87 million). This was contributed by the increase in GP for trading and related services segment from our foreign operations and Malaysia operations.

- **Foreign operations:** GP for the trading and related services segment from our foreign operations increased by RM4.83 million or 109.00% to RM9.26 million in FYE 2023 (FYE 2022: RM4.43 million). This was mainly contributed by an increase in GP contribution from our operations in:
 - (a) Europe, which increased by RM3.16 million or 152.98% to RM5.23 million in FYE 2023 (FYE 2022: RM2.07 million) driven by higher trading sales of load securement products. This was also reflected in the revenue growth of 10.60% for the trading sales of load securement products from our operations in Europe for FYE 2023; and
 - (b) other Asia Pacific, which increased by RM1.16 million or 61.35% to RM3.04 million in FYE 2023 (FYE 2022: RM1.89 million) mainly attributed to higher sales of other tamper-evident products such as security tapes and labels from our operations in Australia. This was also reflected in the revenue growth of 54.97% for the trading sales of other tamper-evident products from our operations in Asia Pacific for FYE 2023.
- **Malaysia operations:** GP for the trading and related services segment from our Malaysia operations increased by RM0.26 million or 58.09% to RM0.69 million in FYE 2023 (FYE 2022: RM0.44 million) attributed to the trading sales of other tamper-evident products. This was also reflected in the revenue growth of 34.51% from this segment in Malaysia for FYE 2023.

GP margin

Our GP margin from the trading and related services segment improved from 14.35% in FYE 2022 to 26.13% in FYE 2023, mainly attributed to an improvement in GP margin from our foreign operations which increased from 13.94% in FYE 2022 to 26.30% in FYE 2023 from the trading sales of load securement products and other tamper-evident products attributed to lower average costs. This was reflected in the proportion of cost of sales against revenue for the trading sales from our foreign operations which decreased by 12.36% in FYE 2023.

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12.3.5 Other operating income

Our other operating income for the FYE Under Review are set out below:

Other operating income	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
• Dividend income	-	-	-	-	1,771	49.11
• Rental income	585	42.76	665	27.42	776	21.52
• Reversal of loss on fair value adjustments	-	-	137	5.65	199	5.52
• Gains on currency exchange	-	-	-	-	315	8.74
• Interest income	17	1.24	30	1.24	197	5.46
• Management fee ⁽¹⁾	162	11.84	140	5.77	120	3.33
• Gain on lease modification or termination	22	1.61	-	-	113	3.13
• Government subsidies and incentives ⁽²⁾	388	28.36	602	24.82	27	0.75
• Waiver of liabilities	145	10.60	671	27.67	-	-
• Others ⁽³⁾	50	3.59	180	7.43	88	2.44
Total	1,369	100.00	2,425	100.00	3,606	100.00
Net gain on impairment of financial assets	2,505		1,050		1,940	
Allowance for impairment losses	(1,830)		(1,486)		(781)	
- Trade receivables	(1,785)		(1,449)		(736)	
- Other receivables	(45)		(37)		(45)	
Reversal for impairment losses	4,335		2,536		2,721	
- Trade receivables	2,448		2,258		766	
- Other receivables	1,887		278		1,955	

Notes:

- (1) Refers to the management fees from our former subsidiaries, MFSS and MIOT, for the provision of corporate functions such as accounting, treasury, administrative, payroll and human resource services.
- (2) Include mainly wage subsidies received under the wage subsidy programmes and hiring incentives from the government of various countries we operate in.
- (3) For FYE 2021, others mainly include reversal of impairment losses and legal compensation.

For FYE 2022, others mainly include workers' compensation relating to workplace injuries received from WorkSafe Victoria in Australia, sales tax drawback from the Royal Malaysian Customs Department in Malaysia and freight-related cost charged to customers for our operations in UAE.

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For FYE 2023, others mainly include gain on disposal of property, plant and equipment, freight-related cost charged to customers for operations in UAE and insurance compensation received from our Hungary operation.

FYE 2022 compared to FYE 2021

Our other operating income increased by RM1.06 million or 77.14% to RM2.43 million in FYE 2022 (FYE 2021: RM1.37 million). This was mainly attributed to the following:

- increase of RM0.53 million in waiver of liabilities arising from the waiver of loan amounting to USD158,900 (approximately RM0.67 million) for our subsidiary, namely Mega Fortris Americas under the Paycheck Protection Program in FYE 2022. Please refer to Note 21(b) of the Accountants' Report set out in Section 13 of this Prospectus for further details; and
- increase of RM0.21 million in government subsidies and incentives received mainly by our Company under the wage subsidy programme in FYE 2022.

There was a net gain on impairment of financial assets comprising trade and other receivables, amounting to RM2.51 million and RM1.05 million in FYE 2021 and FYE 2022 respectively.

- The net gain of RM2.51 million for FYE 2021 was mainly attributed to the reversal for impairment losses of other receivable based on the expected credit loss ("ECL") computation under MFRS 9, which reflects changes in credit risk of the financial asset at the end of the reporting period. The reversal of RM1.89 million of impairment losses on other receivables was attributed to the amount owing from our former subsidiary, MFSS in relation to the advances provided to them for their working capital when it was our still our subsidiary. Please refer to Section 9.1.12 of this Prospectus for details on the risk of default payments by our former subsidiaries
- The net gain of RM1.05 million for FYE 2022 was mainly attributed to the reversal for impairment losses of trade receivable based on the ECL computation under MFRS 9, which reflects changes in credit risk of the financial asset at the end of the reporting period. The reversal of RM2.26 million of impairment losses on trade receivables was mainly contributed by our operations in Denmark.

FYE 2023 compared to FYE 2022

Our other operating income increased by RM1.18 million or 48.70% to RM3.61 million in FYE 2023 (FYE 2022: RM2.43 million). This was mainly attributed to the dividend income of RM1.77 million pertaining to the dividend received following the liquidation of our previous subsidiary, Shaoxing Mega Fortris.

The increase in other operating income was partially offset by the absence of waiver of liabilities in FYE 2023 (FYE 2022: RM0.67 million) pertaining to the loan waived under Paycheck Protection Program in FYE 2022 as mentioned above.

There was a net gain on impairment of financial assets of RM1.94 million in FYE 2023, mainly due to the reversal for impairment losses of other receivables in relation to the amount owing from our former subsidiary, namely MFSS. This was mainly attributed to the reclassification of RM1.64 million from current other receivables to non-current other receivables as a result of the renegotiated payment terms with the former subsidiary in FYE 2023. Please refer to Section 9.1.12 of this Prospectus for details on the risk of default payments by our former subsidiaries.

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12.3.6 Selling and distribution expenses

Our selling and distribution expenses for the FYE Under Review are set out below:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
• Transportation charges ⁽¹⁾	557	29.15	357	22.71	244	15.50
• Marketing expenses	390	20.41	468	29.77	668	42.44
• Sales commission ⁽²⁾	701	36.68	529	33.65	412	26.18
• Travelling expenses	79	4.13	88	5.60	116	7.37
• Royalty fee ⁽³⁾	128	6.70	82	5.22	74	4.70
• Others ⁽⁴⁾	56	2.93	48	3.05	60	3.81
Total	1,911	100.00	1,572	100.00	1,574	100.00

Notes:

- (1) Refers to transportation charges for the delivery of goods to customers including air freight charges and courier charges, as well as handling charges and custom duties.
- (2) Refers to sales commission paid to our sales and marketing personnel, and external parties.
- (3) Refers to royalty fee paid to a security seal design owner in USA for the rights to use the design of certain security seals.
- (4) Others mainly include upkeep of motor vehicles and storage charges.

FYE 2022 compared to FYE 2021

Our selling and distribution expenses decreased by RM0.34 million or 17.74% to RM1.57 million in FYE 2022 (FYE 2021: RM1.91 million). This was mainly attributed to the decrease of RM0.20 million in transportation charges due to a decrease in (i) air freight costs and courier charges incurred for the delivery of goods to our customers and (ii) sales commission of RM0.17 million mainly attributed to an absence of sales commission paid in FYE 2022 pertaining to sales of security box to casino customers.

FYE 2023 compared to FYE 2022

Our selling and distribution expenses remained relatively consistent at RM1.57 million in FYE 2023 (FYE 2022: RM1.57 million). During the year, there was an increase of RM0.20 million in marketing expenses mainly due to an increase in expenses incurred for participating in exhibitions.

This was partially offset by the decreases of (i) RM0.12 million in sales commission in relation to the distribution and maintenance of the playing card security box tracking software system, and (ii) RM0.11 million in transportation charges as a result of lower freight costs incurred for the delivery of goods to our customers.

12. FINANCIAL INFORMATION**12.3.7 Administrative and other operating expenses**

Our administrative and other operating expenses for the FYE Under Review are set out below:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Administrative expenses	39,685	98.34	42,554	99.79	41,808	99.05
• Staff costs	18,642	46.20	20,157	47.27	20,433	48.41
• Directors' remuneration	8,228	20.39	8,239	19.32	8,581	20.33
• Office related expenses	3,546	8.79	4,021	9.43	4,742	11.23
• Professional fees	2,988	7.40	3,359	7.88	3,235	7.66
• Depreciation	2,821	6.99	3,066	7.19	2,949	6.99
• IT related expenses	947	2.35	793	1.86	864	2.05
• Loss on currency exchange	1,549	3.84	1,703	3.99	-	-
• Others ⁽¹⁾	964	2.38	1,216	2.85	1,004	2.38
Other operating expenses	670	1.66	89	0.21	403	0.95
⁽²⁾						
Total	40,355	100.00	42,643	100.00	42,211	100.00

Notes:

- (1) Including mainly entertainment expenses, bank charges, subscription and membership fee mainly for professional bodies, government agencies and software, ROU assets written off, property, plant and equipment written off, and stamp duty.
- (2) Includes mainly bad debt written-off of approximately RM40,000 (FYE 2021), RM16,000 (FYE 2022) and RM0.26 million (FYE 2023) for the FYE Under Review, as well as a cost of RM0.41 million pertaining to the one-off cost incurred (mainly legal fee) to bid for the acquisition of a security seal business of a Spanish company in FYE 2021 which was unsuccessful.

FYE 2022 compared to FYE 2021**Administrative expenses**

Our administrative expenses increased by RM2.87 million or 7.23% to RM42.55 million in FYE 2022 (FYE 2021: RM39.69 million). This was mainly due to the following:

- increase of RM1.52 million in staff costs as we reinstated the salaries of those employees who were previously under our wage reduction programme. We had previously implemented a wage reduction programme for our employees in response to the COVID-19 pandemic during the FYE 2021; and
- increase of RM0.48 million in office expenses mainly for travelling, subsistence and accommodation, and petrol as the global COVID-19 travelling restrictions were lifted, as well as an increase in rental fees for our offices in the UK and USA.

12. FINANCIAL INFORMATION**Other operating expenses**

Other operating expenses decreased by RM0.58 million or 86.72% to RM0.09 million in FYE 2022 (FYE 2021: RM0.67 million) as previously in FYE 2021, there was a cost of RM0.41 million pertaining to the one-off cost incurred (mainly legal fee) to bid for the acquisition of a security seal business of a Spanish company in FYE 2021 which was unsuccessful.

FYE 2023 compared to FYE 2022**Administrative expenses**

Our administrative expenses decreased by RM0.75 million or 1.75% to RM41.81 million in FYE 2023 (FYE 2022: RM42.55 million). This was mainly attributed to the absence of loss in foreign currency exchange in FYE 2023 (FYE 2022: RM1.70 million) as there was a gain in foreign currency exchange amounting to RM0.32 million in FYE 2023.

The decrease was partially offset by an increase of RM0.72 million in office expenses mainly due to an increase in travelling expenses.

Other operating expenses

Other operating expenses increased by RM0.31 million or 352.81% in FYE 2023 (FYE 2022: RM0.09 million), mainly attributed to the RM0.26 million of bad debt written off in FYE 2023, which included RM0.20 million owing by our former subsidiary, MIOT.

12.3.8 Finance cost

Our finance costs for the FYE Under Review are set out below:

Finance costs	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest expense on:						
• invoice financing	-	-	-	-	1,182	31.44
• term loans	412	17.22	520	22.64	999	26.57
• lease liabilities	914	38.21	791	34.44	804	21.38
• revolving credits	459	19.19	325	14.15	516	13.72
• bank overdrafts	10	0.42	104	4.53	184	4.89
• bankers' acceptances	538	22.49	516	22.46	-	-
• others ⁽¹⁾	59	2.47	41	1.78	75	2.00
Total	2,392	100.00	2,297	100.00	3,760	100.00

Note:

(1) Others mainly include bank fees and interest charges.

FYE 2022 compared to FYE 2021

Our finance cost decreased by RM0.10 million or 3.97% to RM2.30 million in FYE 2022 (FYE 2021: RM2.39 million). This was mainly due to the decrease of RM0.13 million in interest expenses on revolving credits due to a decrease in interest rates, as well as a decrease of RM0.12 million in interest expenses on lease liabilities mainly pertaining to the rental of plant and machinery in Malaysia.

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The decrease was partially offset by an increase of RM0.11 million in interest expenses on term loans arising from the drawdown of additional term loans during FYE 2022.

FYE 2023 compared to FYE 2022

Our finance cost increased by RM1.46 million or 63.69% to RM3.76 million in FYE 2023 (FYE 2022: RM2.30 million). This was mainly due to the increase of interest expense on invoice financing of RM1.18 million in FYE 2023 which was used for working capital purposes.

12.3.9 PBT and PAT

	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	7,007	8,532	19,725
PBT margin	5.19%	5.50%	12.23%
Taxation (RM'000)	2,451	1,560	3,824
Effective tax rate	34.98%	18.28%	19.39%
PAT (RM'000)	4,556	6,972	15,901
PAT margin	3.37%	4.49%	9.86%

FYE 2022 compared to FYE 2021

Our PBT increased by RM1.53 million or 21.76% to RM8.53 million in FYE 2022 (FYE 2021: RM7.01 million), while PBT margin improved from 5.19% in FYE 2021 to 5.50% in FYE 2022. Similarly, our PAT increased by RM2.42 million or 53.03% to RM6.97 million in FYE 2022 (FYE 2021: RM4.56 million), while PAT margin improved from 3.37% in FYE 2021 to 4.49% in FYE 2022.

The improvements in our PBT and PAT were mainly attributed to the improvement in GP arising from an increase in revenue in FYE 2022, as well as an increase in other operating income in FYE 2022. The increase in our PBT and PAT was partially offset by the increase in administrative expenses in FYE 2022.

For FYE 2021, our effective tax rate was 34.98% which was higher than the statutory tax rate of 24.00%. This was mainly attributed to the tax effect arising from non-deductible expenses incurred, effect of differential tax rates in foreign jurisdictions and under provision of deferred tax in prior years.

For FYE 2022, our effective tax rate was 18.28% which was lower than the statutory tax rate of 24.00%. This was mainly due to the tax effect arising from the overprovision of deferred tax in prior years, as well as tax exempt income.

FYE 2023 compared to FYE 2022

Our PBT increased by RM11.19 million or 131.19% to RM19.73 million in FYE 2023 (FYE 2022: RM8.53 million), while PBT margin improved from 5.50% in FYE 2022 to 12.23% in FYE 2023. Similarly, our PAT increased by RM8.93 million or 128.07% to RM15.90 million in FYE 2023 (FYE 2022: RM6.97 million), while PAT margin improved from 4.49% in FYE 2022 to 9.86% in FYE 2023.

The improvement in our PBT and PAT was mainly attributed to the improvement in GP by RM10.16 million and an increase in other income in FYE 2023.

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For FYE 2023, our effective tax rate was 19.39% which was lower than the statutory tax rate of 24.00%. This was mainly due to the tax effect arising from tax exempt income as well as overprovision of deferred tax in the prior years.

12.3.10 Significant factors materially affecting our operations and financial result

The significant factors affecting our operations and financial results are set out below:

(i) Demand from security seals may be affected by local and global general economic conditions

For the FYE Under Review, revenue from our security seals was derived from our operations in 12 countries comprising Malaysia and 11 foreign countries where our products were sold to customers in 120 countries. As security seals are essential to ensure the security and integrity of goods during transportation and storage, the factors influencing the demand of security seals include, among others, economic and trade activities as well as port's container throughput.

As such, any adverse economic development in the future may affect the demand of our products and financial performance.

(ii) Fluctuations in input material prices and sea freight rates

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.

In addition, a large proportion of our revenue was derived from our foreign operation countries where we ship our products to our subsidiaries in 11 foreign countries. As such, sea freight rates have an impact on the overall product costs. 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.

According to the IMR Report, the sea freight rate was high since 2020 and reached its peak in September 2021 mainly due to global supply chain disruption caused by COVID-19 pandemic and combined with the US-China trade war. Following the gradual relaxing of containment measures in various countries, the sea freight rate has been on a decline, before increasing in December 2023 following attacks on ships in the Red Sea.

Any sustained increases of sea freight rates may increase our cost price which in turn may have an impact on our business and financial performance.

12. FINANCIAL INFORMATION**(iii) COVID-19 pandemic or emergence of other epidemics or pandemics**

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 FYE 2021 (April to June 2021) which decreased by 20.67% to RM29.22 million compared to RM36.83 million in 3rd quarter 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 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. There can be no assurance that the COVID-19 pandemic or any other epidemics or pandemics will not have an impact on our business operations and financial performance in the future.

(iv) Impact of foreign exchange fluctuations

For the FYE Under Review, our revenue was derived from our operations in various countries and regions, including the USA, Europe (UK, 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, 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. The financial statements of our foreign operations were prepared in the respective functional currencies, namely USD, GBP, DKK, EUR, HUF, AUD, NZD, HKD and SGD.

In addition, our bank borrowings in foreign currency for the FYE Under Review are as set out below:

	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
	RM'000	RM'000	RM'000
Bank borrowings in foreign currency: ⁽¹⁾	4,652	41,847	40,786
- USD	659	37,677	36,933
- DKK	362	2,924	2,788
- EUR	3,474	1,070	927
- GBP	129	58	23
- HUF	28	117	115
- SEK	-	1	-
Bank borrowings in RM	44,547	17,976	17,287
Total bank borrowings	49,199	59,823	58,073

Note:

(1) Includes hire purchases.

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Any significant fluctuation in the exchange rate of the respective foreign currencies into RM or vice versa may have a significant impact, either positive or negative, on our financial performance.

For the FYE Under Review, the sales of our products were transacted in various foreign currencies mainly including USD, GBP and EUR, as well as local currency in RM. 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 purchase of input materials domestically in Malaysia which was transacted in RM.

We maintain bank accounts in currencies including USD, GBP, RMB, EUR, DKK, HKD, HUF, AUD, NZD, SGD, SEK, AED and TRY, such that collections can be used to settle payments of the same currency where possible. This, to a certain extent, provides a natural hedge against fluctuations in the foreign exchange and reduces our exposure to foreign exchange risks. As at LPD, we do not use any derivative financial instruments to manage our exposure to currency risk. Please refer to Note 31 (d) of Section 13 of this Prospectus for further details on the foreign exchange risks.

(v) Impact of interest rates

All our borrowings are interest-bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost comprises interest expenses on invoice financing, bank overdrafts, term loans, revolving credits and hire purchases that are granted by banks and financial institutions. As at 30 June 2023, our total bank borrowings were RM58.07 million, of which, RM42.02 million were interest-bearing based on floating interest rates while the remaining RM16.05 million were based on fixed rates.

The weighted effective interest rates of our borrowings for the FYE Under Review were set out below:

	Weighted average effective interest rates per annum		
	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
Fixed rate:			
Revolving credits	3.52%	3.35%	4.63%
Bankers' acceptances	3.26%	-	-
Hire purchases	5.98%	6.10%	6.11%
Floating rate:			
Bank overdraft	2.91%	5.32%	5.79%
Term loans	1.86%	2.01%	6.72%
Invoice financing	-	3.60%	7.07%

Our finance costs were RM2.39 million and RM2.30 million in FYE 2021 and FYE 2022 respectively and increased to RM3.76 million in FYE 2023. In this respect, any increase in interest rates may impact our financial performance. For the FYE Under Review, our interest coverage ratio was 3.93 times, 4.71 times and 6.25 times for FYE 2021, FYE 2022 and FYE 2023 respectively.

Mega Fortris Americas obtained a loan of USD0.16 million in FYE 2021 under the Paycheck Protection Program. Under this program, the monthly payments of principal and interest were required. The outstanding loan will be charged at an interest rate of 1% per annum and mature in May 2022. The first payment under this program were deferred until December 2020 with interest of the loan accruing since May 2020. In

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FYE 2022, the entire loan amount of RM0.67 million (equivalent to USD0.16 million) plus accrued interest of the said program was waived by the lender. Please refer to Note 21 (b) under Section 13 of this Prospectus for further details. Save as disclosed above, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings.

(vi) Impact of inflation

Our financial performance for the FYE Under Review was not materially affected by the impact of inflation. Nevertheless, there is no assurance that inflation may not affect our future results of operations and financial performance.

(vii) Government/economic/fiscal/monetary policies

Our business is subject to the risk relating to government, economic, fiscal or monetary policies in Malaysia and in countries that we operate and/or transact business. Any unfavourable changes in such government, economic, fiscal or monetary policies may materially affect our operations.

12.3.11 Liquidity and capital resources

(i) Working capital

Our business operations were financed by a combination of both internal and external sources of funds. Our internal sources of funds comprised shareholders' equity and cash generated from our operations, while external sources were mainly banking facilities from financial institutions. These funds were used for our business operations and growth.

Based on our audited consolidated statements of financial position as at 30 June 2023, we have:

- (a) cash and bank balances with licensed bank of RM26.59 million;
- (b) working capital of RM42.62 million, being the difference between current assets of RM102.55 million and current liabilities of RM59.92 million.

As at the LPD, we have available banking facilities of RM230.77 million, of which RM164.63 million has yet to be utilised.

After taking into consideration of our Group's funding requirements for our committed capital expenditures, our existing level of cash and bank balances, the banking facilities currently available, expected cash flows to be generated from our operations and the estimated net proceeds from the Public Issue, our Board is of the view that we have sufficient working capital for 12 months from the date of this Prospectus.

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(ii) Cash flow

The following is our cash flow for the FYE Under Review based on our audited combined financial statements. This should be read in conjunction with the Accountants' Report in Section 13 of this Prospectus.

	Audited		
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
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

All of our cash and cash equivalents are held in RM and foreign currencies including USD, GBP, RMB, EUR, DKK, HKD, HUF, AUD, NZD, SGD, SEK, AED and TRY. Save for any applicable financial covenants, requirements in the Act, and requirements for the repatriation of capital and remittance of profit from foreign subsidiaries as set out in Annexure C of this Prospectus, there are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, loans or advances.

(a) Net cash from operating activities

FYE 2021

For FYE 2021, our net cash from operating activities was RM15.82 million after taking into account of the following:

- increase of RM1.04 million in inventories mainly due to a higher inventory of raw materials and finished goods as at 30 June 2021 attributed to the goods in transit to our operations in USA.
- increase of RM0.78 million in trade and other payables mainly due to higher other payables in relation to accruals mainly pertaining to the purchases of input materials for manufacturing operations.
- decrease of RM0.42 million in trade and other receivables mainly due to lower billings at the end of FYE 2021 as reflected in the lower sales in 4th quarter FYE 2021.
- increase of RM0.09 million in contract assets net of liabilities mainly attributed to a decrease in contract liabilities due to services rendered to customers on previous advance payments received from customers in relation to the distribution and maintenance of playing card security box tracking software system for casino operations.
- tax paid of RM3.26 million.

12. FINANCIAL INFORMATION**FYE 2022**

For FYE 2022, our net cash from operating activities was RM7.71 million after taking into account of the following:

- increase of RM5.66 million in inventories mainly raw materials, finished goods and work-in-progress materials. This was attributed to the higher purchases of input materials during the FYE 2022 for our planned production. This was reflected in the increase in our total purchases of input materials for manufacturing operations, which increased from RM36.31 million in FYE 2021 to RM39.19 million in FYE 2022.
- decrease of RM2.77 million in trade and other payables mainly attributed to lower outstanding trade payables as at 30 June 2023 due to timely payments to our suppliers.
- decrease of RM0.28 million in trade and other receivables mainly attributed to the decrease in amount owing from our former subsidiary namely Shaoxing Mega Fortris pertaining to dividend receivable which was subsequently settled in FYE 2022.
- decrease of RM0.24 million in contract assets net of liabilities mainly due an increase in contract liabilities arising from advance payments collected in relation to the distribution and maintenance of playing card security box tracking software system for casino operations.
- tax paid of RM1.91 million.

FYE 2023

For FYE 2023, our net cash from operating activities was RM19.53 million mainly after taking into account of the following:

- decrease of RM6.81 million in trade and other payables mainly attributed to lower outstanding trade payables as at 30 June 2023 due to timely payments to our suppliers. Furthermore, the decrease was also attributed to a decrease in other payables mainly due to lower accruals in relation to input materials purchased which was still pending the issuance of invoices from suppliers.
- decrease of RM3.18 million in inventories mainly due to lower purchases of raw materials during the FYE 2023. This was reflected in the decrease in our total purchases of input materials for manufacturing operations, which decreased from RM39.19 million in FYE 2022 to RM28.03 million in FYE 2023.
- increase of RM2.57 million in trade and other receivables mainly due to increase in other receivables pertaining to amount owing from former subsidiaries.

The former subsidiaries involved are MFIB in Spain, MFSS and MIOT in Malaysia and the total amount owing from these companies was RM12.16 million at 30 June 2023. As at LPD, we have collected a total of RM1.41 million of the total RM12.16 million of amount owing from former subsidiaries. Please refer to Note 12(c) of the Accountants' Report set out in Section 13 of this Prospectus for further details.

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Please refer to Section 9.1.12 of this Prospectus for details on the risk of default payments by our former subsidiaries.

- tax paid of RM3.12 million.

(b) Net cash used in/from investing activities

FYE 2021

For FYE 2021, our net cash used in investing activities was RM5.98 million. This was mainly attributed to RM6.12 million of advances to former subsidiaries, including MIOT and MFIB for their working capital.

Our net cash used in investing activities was also partly attributed to RM2.28 million used for the purchase of plant and equipment that mainly comprised the following:

- (a) RM0.91 million used mainly for the renovation of No.56 Property in Kota Kemuning, Selangor;
- (b) RM0.66 million for the purchase of tools and equipment as well as machinery including drum sealing machine, industrial coding and marking machines, and automatic pallet stretch wrapping machine;
- (c) RM0.33 million used for the purchase of office equipment including computers, server and printer; and
- (d) RM0.31 million used for the purchase of motor vehicles.

The net cash used in investing activities was partially offset by the net repayment of RM2.62 million mainly pertaining to partial proceeds received from our immediate holding company for the disposal of our 51% equity stake in Mega Fortris Americas in 2019.

FYE 2022

For FYE 2022, our net cash used in investing activities was RM4.99 million. This was mainly attributed to RM4.36 million of advances to former subsidiaries, including MIOT and MFIB for their working capital.

In addition, RM2.23 million was used for the purchase of plant and equipment that mainly comprised the following:

- (a) RM1.41 million used for the renovation of No.25 Property and No.27 Property in Kota Kemuning, Selangor;
- (b) RM0.53 million for the purchase of tools and equipment as well as machinery including hot runner system and controller as well as cavities for our injection moulding machines, stamping tools and heavy-duty pallet rack, laser printing machines, and industrial coding and marking machines; and
- (c) RM0.17 million used for the purchase of office equipment including computers and printers as well as door access systems.

The net cash used in investing activities was partially offset by RM1.37 million mainly pertaining to the partial proceeds received from our immediate holding company for the disposal of our 51% equity stake in Mega Fortris Americas in 2019.

12. FINANCIAL INFORMATION

FYE 2023

For FYE 2023, our net cash from investing activities was RM1.52 million. This was mainly attributed to RM1.77 million of dividend received from Shaoxing Mega Fortris, our former subsidiary, following its liquidation.

In addition, there was net repayment of RM0.78 million mainly pertaining to the final proceeds received from our immediate holding company for the disposal of our 51% equity stake in Mega Fortris Americas in 2019.

Pursuant to the Pre-IPO Reorganisation, on 30 June 2023, we acquired Mega Fortris Americas for a purchase consideration of RM15,762,593, satisfied by the issuance of 15,762,593 Shares at an issue price of RM1.00 each.

The net cash from investing activities was partially offset by RM1.42 million used for the purchase of plant and equipment that mainly comprised the following:

- (a) RM0.90 million used for the purchase of tools and equipment as well as machinery including moulds and code readers; and
- (b) RM0.34 million used mainly for the renovation of our No. 29 Property, in Kota Kemuning, Selangor.

(c) Net cash used in financing activities

FYE 2021

For the FYE 2021, our net cash used in financing activities was RM16.99 million. This was mainly attributed to the following:

- (a) RM5.93 million used for the net repayment of bank borrowings including revolving credits and bankers' acceptances used for working capital purposes, as well as term loans used to finance our properties located in Kota Kemuning, Selangor including No. 25 and No. 27 Property;
- (b) RM4.87 million used for dividend payments;
- (c) RM4.78 million used for the net payment of lease liabilities including rental payments as well as hire purchases for motor vehicles, and plant and machinery; and
- (d) RM1.42 million used for interest payments.

FYE 2022

For the FYE 2022, our net cash used in financing activities was RM0.48 million. This was mainly attributed to the following:

- (a) RM6.96 million used for the net payment of lease liabilities including rental payments as well as hire purchases for motor vehicles and plant and machinery; and
- (b) RM2.04 million used for dividend payments;
- (c) RM1.46 million used for interest payments.

12. FINANCIAL INFORMATION

The net cash used in financing activities was partially offset by cash of RM9.98 million from the net drawdown of bank borrowings mainly invoice financing used for working capital purposes.

FYE 2023

For the FYE 2023, our net cash used in financing activities was RM15.79 million. This was mainly attributed to the following:

- (a) RM7.60 million used for the payment of lease liabilities including rental payments as well as hire purchases for motor vehicles and plant and machinery; and
- (b) RM3.02 million used for dividend payments;
- (c) RM2.88 million used for interest payments;
- (d) RM2.28 million used for the net repayment of bank borrowings including invoice financing used for working capital purposes and term loans used to finance our properties located in Kota Kemuning, Selangor including No. 25 and No. 27 Property.

(iii) Bank borrowings

As at 30 June 2023, our Group's total bank borrowings are as set out below:

Type of bank borrowings	As at 30 June 2023		
	Payable within 12 months	Payable after 12 months	Total
	RM'000	RM'000	RM'000
Term loans ⁽¹⁾	895	17,722	18,617
Invoice financing ⁽²⁾	19,244	-	19,244
Revolving credits ⁽³⁾	10,000	-	10,000
Bank overdrafts ⁽⁴⁾	4,158	-	4,158
Hire purchase ⁽⁵⁾	2,851	3,203	6,054
Total	37,148	20,925	58,073

Gearing ratio⁽⁶⁾ **0.54**

Notes:

- (1) Term loans were utilised to finance our properties located in Kota Kemuning, Selangor, including No. 25 Property and No. 27 Property.
- (2) Invoice financing was used for working capital purposes.
- (3) Revolving credits were used for working capital purposes.
- (4) Bank overdrafts were used for working capital purposes.

12. FINANCIAL INFORMATION

(5) Hire purchase was used to fund the purchase of motor vehicles, and plant and machinery.

(6) Based on interest-bearing bank borrowings over total equity.

The currency profile of our bank borrowings as at 30 June 2023 is as set out below:

	As at 30 June 2023		
	Payable within 12 months	Payable after 12 months	Total
	RM'000	RM'000	RM'000
RM	14,184	3,103	17,287
DKK	2,788	-	2,788
EUR	187	740	927
USD	19,952	16,981	36,933
GBP	12	11	23
HUF	27	88	115
Total	37,148	20,925	58,073

As at 30 June 2023, all bank borrowings are interest bearing including RM58.07 million which are floating rate borrowings and RM16.05 million which are fixed rate borrowings. The maturity profile and average interest rates of our bank borrowings as at 30 June 2023 are set out below:

	Weighted average effective interest rates	As at 30 June 2023			
		Within 1 Year	1-5 Years	Over 5 Years	Total
		RM'000	RM'000	RM'000	RM'000
Term loans	6.72%	895	17,632	90	18,617
Invoice financing	7.07%	19,244	-	-	19,244
Revolving credits	4.63%	10,000	-	-	10,000
Bank overdrafts	5.79%	4,158	-	-	4,158
Hire purchase	6.11%	2,851	3,203	-	6,054
Total		37,148	20,835	90	58,073

Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the borrowings for the FYE Under Review and from 1 July 2023 up to the LPD.

There is no seasonality in our borrowings trend and there is no restriction on the use of our committed facilities.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investments by holders of securities in our Group.

12. FINANCIAL INFORMATION**12.3.13 Treasury policies and objectives**

Our Group's operations have been funded by shareholders' equity, cash generated from our operations, external sources of funds and credit extended by our suppliers. The external sources of funds mainly include banking borrowings. The normal credit terms granted by our suppliers range from 0 to 90 days.

As at the LPD, our Group's bank borrowings mainly consist of the following:

- (i) invoice financing, revolving credits and bank overdrafts for working capital purposes;
- (ii) term loans mainly for financing our properties located in Kota Kemuning, Selangor including No.25 Property and No 27 Property; and
- (iii) hire purchase for purchase of motor vehicles, and plant and machinery.

The interest rates for our bank borrowings are based on the market rates prevailing at the dates of the respective transactions. As at the LPD, our Group has available banking facilities of RM230.77 million, of which RM164.63 million has yet to be utilised.

The main objective of our capital management is to ensure a sustainable shareholders' equity to support and grow our business in order to maximise our shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio is at an optimal level based on the business requirements and prevailing economic conditions.

12.3.14 Financial instruments for hedging purposes

For the FYE Under Review and from 1 July 2023 up to the LPD, our Group does not have any financial instrument for hedging purposes.

12.3.15 Material commitment for capital expenditure

As at the LPD, our Group's material commitment for capital expenditure is summarised below:

	Source of funds		
	Capital commitment RM'000	Internally generated funds/ bank borrowings RM'000	Proceeds from the Public Issue RM'000
Approved but not contracted for:			
New production facilities including automated production lines for security seals in Malaysia	12,400	12,400	-
Establishment of New UK Factory	[•]	-	[•]
New business in providing total solution in supplying and handling of playing cards in sealed security boxes in Malaysia and Macao	[•]	50,000	[•]
Total	[•]	62,400	[•]

12. FINANCIAL INFORMATION

12.3.16 Capital expenditure and divestitures

Capital expenditure

Our capital expenditure for the FYE Under Review and from 1 July 2023 up to the LPD is as set out below:

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 July 2023 up to LPD RM'000
Plant and machineries	220	261	133	945
Tools and equipment	438	273	771	1,683
Electrical installation	-	8	47	94
Furniture and fittings	47	38	44	26
Air conditioners	26	24	14	-
Office equipment	335	173	73	168
Renovation	907	1,409	337	117
Motor vehicles	312	47	-	-
Land and building	-	-	-	14,544
Total	2,285	2,233	1,419	17,577

FYE 2021

For the FYE 2021, our capital expenditure of RM2.29 million mainly comprised the following:

- (i) RM0.91 million used for the renovation of No.56 Property in Kota Kemuning, Selangor;
- (ii) RM0.66 million for the purchase of tools and equipment as well as machinery including drum sealing machine, industrial coding and marking machines, and automatic pallet stretch wrapping machine;
- (iii) RM0.33 million used for the purchase of office equipment including computers, server and printer; and
- (iv) RM0.31 million used for the purchase of motor vehicles.

FYE 2022

For the FYE 2022, our capital expenditure of RM2.23 million mainly comprised the following:

- (i) RM1.41 million used for the renovation of No.25 Property and No.27 Property in Kota Kemuning, Selangor;
- (ii) RM0.53 million for the purchase of tools and equipment as well as machinery including hot runner system and controller as well as cavities for our injection moulding machines, stamping tools and heavy-duty pallet rack, laser printing machines and industrial coding and marking printers; and
- (iii) RM0.17 million used for the purchase of office equipment including computers and printers as well as door access systems.

12. FINANCIAL INFORMATION

FYE 2023

For the FYE 2023, our capital expenditure of RM1.42 million mainly comprised the following:

- (i) RM0.90 million used for the purchase of tools and equipment as well as machinery including injection moulds and code readers; and
- (ii) RM0.34 million used mainly for the renovation of our No. 29 Property in Kota Kemuning, Selangor.

1 July 2023 up to the LPD

Our capital expenditure between 1 July 2023 and up to the LPD was RM17.58 million which mainly comprised the following:

- (i) RM14.54 million used for the purchase of No. 56 Property in Kota Kemuning, Selangor including the land and building;
- (ii) RM2.63 million used for the purchase of tools and equipment as well as machinery including auto capping machines, air cooled chiller system and bench press machine;
- (iii) RM0.17 million used for the purchase of office equipment, which mainly include computers, televisions, photocopier and new server; and
- (iv) RM0.12 million used for renovation of No. 29 Property and No. 56 Property in Kota Kemuning, Selangor.

Capital divestiture

Our capital divestiture for the FYE Under Review and from 1 July 2023 up to the LPD is as set out below:

	FYE 2021	FYE 2022	FYE 2023	1 July 2023 up to
	RM'000	RM'000	RM'000	LPD
				RM'000
Plant and machinery	466	95	228	286
Furniture and fittings	-	-	17	-
Office equipment	44	71	371	13
Motor vehicles	83	263	170	38
Building	-	-	-	5,601
Electrical installation	-	-	-	8
Tools and equipment	-	-	-	981
Total	593	429	786	6,927

12. FINANCIAL INFORMATION**FYE 2021**

For the FYE 2021, our capital divestiture of RM0.59 million mainly comprised RM0.47 million for the disposal of plant and machinery including injection moulding machines, and industrial coding and marking printers.

FYE 2022

For the FYE 2022, our capital divestiture of RM0.43 million mainly comprised RM0.26 million for the disposal of motor vehicles.

FYE 2023

For the FYE 2023, our capital divestiture of RM0.79 million mainly comprised the following:

- (i) RM0.37 million for the disposal of office equipment including computers, servers and rack;
- (ii) RM0.23 million for the disposal of plant and machinery including die-casting machine and tooling machine; and
- (iii) RM0.17 million for the disposal of motor vehicles.

1 July 2023 up to the LPD

Our capital divestiture between 1 July 2023 and up to the LPD was RM6.9 million which mainly comprised the following:

- (i) RM5.60 million from the disposal of office building in Denmark by Mega Fortris Europe; and
- (ii) RM1.27 million from the disposal of tools and equipment as well as machinery including moulds, hot runner systems, chiller unit for laser machine and laser printing machine.

12.3.17 Key financial ratios

Our key financial ratios for the FYE Under Review are as follows:

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
Average trade receivable turnover period (days) ⁽¹⁾	77	81	81
Average trade payable turnover period (days) ⁽²⁾	68	48	34
Average inventory turnover period (days) ⁽³⁾	117	114	125
Current ratio (times) ⁽⁴⁾	1.38	1.46	1.71
Gearing ratio (times) ⁽⁵⁾	0.68	0.79	0.54

Notes:

- (1) Based on average trade receivables as at the beginning and end of the respective financial year over total revenue of the respective financial years, and multiplied by 365 days.
- (2) Based on average trade payables as at the beginning and end of the respective financial year over total cost of sales of the respective financial years, and multiplied by 365 days.

12. FINANCIAL INFORMATION

- (3) Based on average inventory as at the beginning and end of the respective financial year over total cost of sales of the respective financial years, and multiplied by 365 days.
- (4) Based on current assets over current liabilities.
- (5) Based on total interest-bearing bank borrowings (including hire purchase payables) over total equity.

(i) Trade receivable turnover period

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Average trade receivables ⁽¹⁾	28,501	34,479	35,789
Revenue	135,098	155,211	161,303
Average trade receivable turnover period (days) ⁽²⁾	77	81	81

Notes:

- (1) Computed as follows:

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening trade receivables	26,888	30,113	38,844
Closing trade receivables	30,113	38,844	32,734
Average trade receivables	28,501	34,479	35,789

- (2) Based on average trade receivables as at the beginning and end of the respective financial year over total revenue of the respective financial years, and multiplied by 365 days.

We generally deal with our customers on credit term of between 30 and 120 days which are granted to our customers after they are assessed and approved by the management on a case-by-case basis.

Our average trade receivables turnover period increased from 77 days as at 30 June 2021 to 81 days as at 30 June 2022, which fall within the credit term granted to our customers. The increase was mainly due to slow payments from our customers and this was reflected in a higher portion of trade receivables that were past due. As at 30 June 2022, the past due trade receivables were 54.10% of total trade receivables as compared to 47.33% as at 30 June 2021. Our average trade receivables turnover period remained at 81 days as at 30 June 2023.

12. FINANCIAL INFORMATION

The ageing analysis of our Group's trade receivables as at 30 June 2023 is as follows:

	Not past due	Past Due			Total
		1-30 days	31-90 days	More than 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	20,927	7,416	2,674	1,717	32,734
% contribution	63.93%	22.65%	8.17%	5.25%	100.00%
Subsequent collections as at the LPD	18,558	6,500	2,455	1,698	29,211
Net trade receivables after subsequent collections	2,369	916	219	19	3,524
% of trade receivables net of subsequent collections	67.24%	26.00%	6.22%	0.54%	100.00%

As at the LPD, we have collected approximately RM29.21 million or 89.24% of the total trade receivables which were outstanding as at 30 June 2023. The net trade receivables as at the LPD was RM3.52 million, of which RM1.15 million was past due mainly attributed to slow payments from certain customers for our operations in Malaysia, USA and Netherlands.

(ii) Trade payable turnover period

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Average trade payables ⁽¹⁾	16,153	13,614	9,340
Cost of sales	87,307	103,642	99,579
Average trade payable turnover period (days) ⁽²⁾	68	48	34

Notes:

(1) Computed as follows:

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening trade payables	16,362	15,943	11,285
Closing trade payables	15,943	11,285	7,394
Average trade payables	16,153	13,614	9,340

(2) Based on average trade payables as at the beginning and end of the respective financial year/period over total cost of sales of the respective financial years, and multiplied by 365 days.

12. FINANCIAL INFORMATION

Generally, the normal credit term granted by our suppliers range from 0 to 90 days.

Our average trade payables turnover period improved from 68 days as at 30 June 2021 to 48 days as at 30 June 2022 and further improved to 34 days as at 30 June 2023. This was mainly due to timely payments to our suppliers.

The ageing analysis of our Group's trade payables as at 30 June 2023 is as follows:

	Not past due	Past due			Total
		1-30 days	31-90 days	More than 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	2,921	2,202	1,654	617	7,394
% contribution	39.51%	29.78%	22.37%	8.34%	100.00%
Subsequent payments as at the LPD	2,921	2,202	1,606	503	7,232
Net trade payables after subsequent payments	-	-	48	114	162
% of trade payables net of subsequent payments	-	-	29.63%	70.37%	100.00%

As at the LPD, we have settled approximately RM7.23 million or 97.81% of the total trade payables which were outstanding as at 30 June 2023. The past due outstanding of RM0.16 million of the net trade payables as at the LPD as was mainly attributed to amount owing to suppliers of finished goods for our trading operations in the USA and the UAE.

(iii) Inventory turnover period

A summary of our inventories for the FYE Under Review is as set out below:

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Average inventories ⁽¹⁾	27,933	32,447	34,026
Closing inventory	29,498	35,396	32,656
• Raw materials	7,429	9,919	8,028
• Packing materials ⁽²⁾	169	194	117
• Trading goods	81	244	255
• Work-in-progress	2,353	3,857	3,528
• Finished goods	19,466	21,182	20,728
Cost of sales	87,307	103,642	99,579
Inventory turnover period (days) ⁽³⁾	117	114	125

12. FINANCIAL INFORMATION**Notes:**

- (1) Computed as follows:

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening inventories	26,368	29,498	35,396
Closing inventories	29,498	35,396	32,656
Average inventories	27,933	32,447	34,026

- (2) Others include packaging materials and consumables.
- (3) Based on average inventory as at the beginning and end of the respective financial year over total cost of sales of the respective financial years, and multiplied by 365 days.

Our inventories mainly comprised the following:

- (a) raw materials for security seal manufacturing including parts and components such as sub-assembled metal casing and parts, plastic resins, masterbatch and other additives, plastic sheets, tapes and films;
- (b) packing materials for security seal manufacturing;
- (c) trading goods refer to externally sourced products from third-party suppliers such as load securement products, security seals, tapes and tamper-evident labels;
- (d) work-in-progress comprised security seals which are in production stage; and
- (e) finished goods comprised the security seals we manufactured.

Our inventory turnover period improved from 117 days as at 30 June 2021 to 114 days as at 30 June 2022. This was mainly attributed to the higher cost of sales arising from increased sales from our Group's in-house designed and manufactured security seals.

Our inventory turnover period increased from 114 days as at 30 June 2022 to 125 days as at 30 June 2023. This was mainly attributed to the decrease in cost of sales in FYE 2023 as a result of a decrease in freight and logistics costs on the back of lower shipping rates.

(iv) Current ratio

A summary of our current ratio for FYE 2021, FYE 2022 and FYE 2023 is as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Current assets	85,474	100,668	102,546
Current liabilities	62,044	68,861	59,923
Current ratio (times) ⁽¹⁾	1.38	1.46	1.71

12. FINANCIAL INFORMATION**Note:**

(1) Based on current assets over current liabilities.

Our current ratio increased from 1.38 times as at 30 June 2021 to 1.46 times as at 30 June 2022. This was mainly attributed to the increase in current assets arising from higher trade receivables as at 30 June 2022 due to slow payment from customers and higher closing inventories as at 30 June 2022 due to higher purchase. In addition, the increase in current ratio was attributed to the increase in cash and bank balances from RM12.76 million as at 30 June 2021 to RM18.18 million as at 30 June 2022.

Our current ratio further increased from 1.46 times as at 30 June 2022 to 1.71 times as at 30 June 2023. This was mainly attributed to the decrease in current liabilities due to lower outstanding trade payables as at 30 June 2023 due to timely payments to our suppliers. This was also partly attributed to lower accruals mainly pertaining to the purchases of input materials for our operations.

(v) Gearing ratio

A summary of our gearing ratio for FYE 2021, FYE 2022 and FYE 2023 is as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Bank borrowings	49,199	59,823	58,073
- Term loans	13,585	18,668	18,617
- Bankers' acceptance	14,659	-	-
- Invoice financing	-	20,086	19,244
- Revolving credits	10,000	10,000	10,000
- Bank overdrafts	2,597	4,748	4,158
- Hire purchase	8,358	6,321	6,054
Total equity	71,879	75,891	107,364
Gearing ratio (times) ⁽¹⁾	0.68	0.79	0.54

Note:

(1) Based on total bank borrowings over total equity.

Our gearing ratio increased from 0.68 times as at 30 June 2021 to 0.79 times as at 30 June 2022. This was mainly due to the increase in borrowings arising mainly from the drawdown of invoice financing used for working capital purposes.

Our gearing ratio decreased from 0.79 times as at 30 June 2022 to 0.54 times as at 30 June 2023. This was mainly due to the increase in our reserves from RM39.74 million as at 30 June 2022 to RM70.30 million as at 30 June 2023, mainly due to the revaluation surplus of freehold land and buildings following the change in accounting policy from the cost model to the revaluation model in FYE 2023. Please refer to Note 18(c) of the Accountants' Report in Section 13 of this Prospectus for further details.

12. FINANCIAL INFORMATION

12.3.18 Trend information

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following,

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, save as set out in Sections 7 and 9 of this Prospectus;
- (ii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations;
- (iii) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to COVID-19 pandemic as set out in Section 9.1.14 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not indicative of the future financial performance and position; and
- (v) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

12.4 ORDER BOOK

Generally, our sales are derived from purchase orders issued by customers. In this respect, we do not maintain an order book due to the nature of our business.

12.5 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

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. Our ability to declare and pay dividends is subject to the discretion of our Board. Our Directors will take into consideration, among others, the following factors when recommending or declaring any dividends:

- (i) our financial performance and condition;
- (ii) our working capital requirements;
- (iii) our anticipated future operating conditions and expansion taking into consideration projected capital expenditure and investment plans;
- (iv) any contractual restrictions and/or commitments;
- (v) prior written consent from financial institutions, where required; and
- (vi) the general economic and business conditions, and such other relevant factors.

12. FINANCIAL INFORMATION

As at the LPD, save for as disclosed in Annexure C of this Prospectus, any applicable financial covenants (in particular, the financial institutions' consent for declaration of dividends from our subsidiary in Malaysia to us) and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our Subsidiaries. The existing financial covenants would not affect the future dividend payments of our Company.

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.

During the FYE Under Review, dividends paid were funded via internally generated funds. The declaration and payment of such dividends would not affect the execution and implementation of our Group's strategies and plans as set out in Section 7.19 of this Prospectus.

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.

13. ACCOUNTANTS' REPORT



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Mega Fortris Berhad
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29 Jalan Anggerik Mokara 31/47
Kota Kemuning Seksyen 31
40460 Shah Alam
Selangor Darul Ehsan

Date: 22 March 2024

Our ref: BDO/LWH/TKY2/LJX/lmy2

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF MEGA FORTRIS BERHAD (FORMERLY KNOWN AS MEGA FORTRIS (MALAYSIA) SDN. BHD.) ("MEGA FORTRIS" OR THE "COMPANY")

Opinion

We have audited the accompanying Combined Financial Statements of Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) and its Other Combining Entities as defined in Note 1 to the Combined Financial Statements (collectively referred to as the "Group"), which comprise the combined statements of financial position as at 30 June 2021, 30 June 2022 and 30 June 2023, and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023, and notes to the Combined Financial Statements, including a summary of significant accounting policies as set out in this report (collectively referred to herein as "the Combined Financial Statements").

The Combined Financial Statements have been prepared for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of Mega Fortris on the Main Market of Bursa Malaysia Securities Berhad (the "Listing"). This report is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the Combined Financial Statements give a true and fair view of the combined financial position of the Group as at 30 June 2021, 30 June 2022 and 30 June 2023 and of their combined financial performance and combined cash flows for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

13. ACCOUNTANTS' REPORT*Independence and Other Ethical Responsibilities*

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Directors' Responsibility for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the Combined Financial Statements of the Group so as to give a true and fair view in accordance with MFRS and IFRS. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Combined Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Combined Financial Statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibility for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Combined Financial Statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Combined Financial Statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

13. ACCOUNTANTS' REPORT**Reporting Accountants' Responsibility for the Audit of the Combined Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the Combined Financial Statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Combined Financial Statements of the Group, including the disclosures, and whether the Combined Financial Statements of the Group represents the underlying transactions and events in a manner that achieve fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Combined Financial Statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

This report has been prepared solely to comply with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purposes. We do not assume responsibility to any other person for the content of this report.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Lee Wee Hoong
03316/07/2025 J
Chartered Accountant

13. ACCOUNTANTS' REPORT

Mega Fortris Berhad (199801004408 (460535 - H))
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
Accountants' Report

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	2021 RM	2022 RM	2023 RM
ASSETS				
Non-current assets				
Property, plant and equipment	8	41,925,065	41,401,873	59,997,723
Right-of-use assets	9	16,710,916	13,988,910	12,815,230
Intangible assets	10	5,988,259	5,564,857	5,275,183
Other investments	11	835,337	831,028	-
Trade and other receivables	12	4,319,262	5,256,074	11,705,976
Deferred tax assets	13	253,726	374,925	401,458
		70,032,565	67,417,667	90,195,570
Current assets				
Inventories	14	29,498,416	35,395,546	32,655,870
Trade and other receivables	12	41,290,779	45,134,008	42,312,102
Contract assets	15	80,617	39,255	-
Current tax assets		1,841,609	1,914,351	986,723
Cash and bank balances	16	12,762,857	18,184,987	26,591,402
		85,474,278	100,668,147	102,546,097
Assets of disposal group classified as held for sale	35	3,392,636	3,159,464	3,062,674
TOTAL ASSETS		158,899,479	171,245,278	195,804,341
EQUITY AND LIABILITIES				
Equity attributable to owner of the combining entities				
Share capital	17	34,854,974	34,854,974	34,854,974
Reserves	18	36,425,147	39,738,786	70,294,940
Shareholders' equity		71,280,121	74,593,760	105,149,914
Non-controlling interests		599,240	1,296,858	2,214,139
TOTAL EQUITY		71,879,361	75,890,618	107,364,053



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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Accountants' Report*

COMBINED STATEMENTS OF FINANCIAL POSITION (continued)

	Note	2021 RM	2022 RM	2023 RM
EQUITY AND LIABILITIES (continued)				
LIABILITIES				
Non-current liabilities				
Other payables	19	640,565	717,454	705,643
Borrowings	20	11,866,699	16,871,288	17,721,806
Lease liabilities	9	11,113,872	7,855,745	6,595,393
Deferred tax liabilities	13	944,817	667,175	3,144,402
		24,565,953	26,111,662	28,167,244
Current liabilities				
Trade and other payables	19	26,718,372	25,122,623	18,593,049
Contract liabilities	15	171,539	371,622	298,542
Borrowings	20	28,974,056	36,630,494	34,297,668
Lease liabilities	9	5,451,957	5,914,140	5,819,976
Current tax liabilities		727,934	822,014	914,132
		62,043,858	68,860,893	59,923,367
Liabilities of disposal group classified as held for sale	35	410,307	382,105	349,677
TOTAL LIABILITIES		87,020,118	95,354,660	88,440,288
TOTAL EQUITY AND LIABILITIES		158,899,479	171,245,278	195,804,341

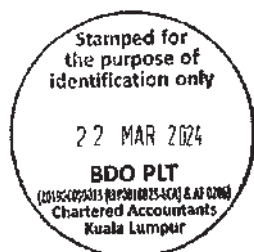


13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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Accountants' Report*

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 RM	2022 RM	2023 RM
<u>Continuing operations</u>				
Revenue	22	135,098,276	155,210,680	161,303,217
Cost of sales		<u>(87,307,459)</u>	<u>(103,642,128)</u>	<u>(99,578,675)</u>
Gross profit		47,790,817	51,568,552	61,724,542
Other operating income		1,368,215	2,425,145	3,606,396
Net gain on impairment of financial assets		2,505,296	1,049,672	1,939,921
Selling and distribution expenses		(1,910,739)	(1,572,197)	(1,574,025)
Administrative expenses		(39,685,044)	(42,553,744)	(41,808,490)
Other operating expenses		(669,743)	(88,500)	(403,006)
Finance costs	23	<u>(2,392,098)</u>	<u>(2,296,481)</u>	<u>(3,759,936)</u>
Profit before taxation	24	7,006,704	8,532,447	19,725,402
Taxation	25	<u>(2,451,083)</u>	<u>(1,560,330)</u>	<u>(3,824,375)</u>
Profit for the financial year from continuing operations		4,555,621	6,972,117	15,901,027
<u>Discontinuing operations</u>				
Profit/(Loss) for the financial year from discontinuing operations, net of tax	36	<u>4,560,599</u>	<u>(1,402,734)</u>	<u>(1,772,124)</u>
Profit for the financial year		9,116,220	5,569,383	14,128,903



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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Accountants' Report*

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Note	2021 RM	2022 RM	2023 RM
Profit for the financial year		9,116,220	5,569,383	14,128,903
Other comprehensive (loss)/income, net of tax:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Currency translation differences		(357,253)	479,503	4,378,866
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Revaluation of freehold land and buildings		-	-	15,988,241
Total other comprehensive (loss)/income for the financial year		(357,253)	479,503	20,367,107
Total comprehensive income for the financial year		<u>8,758,967</u>	<u>6,048,886</u>	<u>34,496,010</u>
Earnings per share attributable to owner of the combining entities				
Basic (sen)	26	17	13	36
Diluted (sen)	26	17	13	36
Profit after taxation attributable to:				
Equity holder of the Company		5,986,101	4,393,201	12,499,699
Non-controlling interests		3,130,119	1,176,182	1,629,204
		<u>9,116,220</u>	<u>5,569,383</u>	<u>14,128,903</u>
Total comprehensive income attributable to:				
Equity holder of the Company		6,274,716	4,840,541	32,167,664
Non-controlling interests		2,484,251	1,208,345	2,328,346
		<u>8,758,967</u>	<u>6,048,886</u>	<u>34,496,010</u>



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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Accountants' Report*

COMBINED STATEMENTS OF CHANGES IN EQUITY

<-----Attributable to owner of the Company----->								
Note	Invested equity RM	Merger reserve RM	General reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Balance as at 1 July 2020	34,854,974	(29,950,024)	248,211	5,431,731	58,998,200	69,583,092	(1,595,391)	67,987,701
Profit for the financial year	-	-	-	-	5,986,101	5,986,101	3,130,119	9,116,220
Other comprehensive income, net of tax	-	-	-	288,615	-	288,615	(645,868)	(357,253)
Total comprehensive income for the financial year	-	-	-	288,615	5,986,101	6,274,716	2,484,251	8,758,967
Transactions with owner:								
Dividends paid to immediate holding company	-	-	-	-	(4,577,687)	(4,577,687)	-	(4,577,687)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(289,620)	(289,620)
Transfer from general reserves to retained earnings	-	-	(248,211)	-	248,211	-	-	-
Total transactions with owner	-	-	(248,211)	-	(4,329,476)	(4,577,687)	(289,620)	(4,867,307)
Balance as at 30 June 2021	34,854,974	(29,950,024)	-	5,720,346	60,654,825	71,280,121	599,240	71,879,361

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(199801004408 (460535-H)) & AF 0206
Chartered Accountants
Kuala Lumpur

13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

	Note	Invested equity RM	Merger reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non- controlling interests RM	Total equity RM
Balance as at 1 July 2021		34,854,974	(29,950,024)	5,720,346	60,654,825	71,280,121	599,240	71,879,361
Profit for the financial year		-	-	-	4,393,201	4,393,201	1,176,182	5,569,383
Other comprehensive income, net of tax		-	-	447,340	-	447,340	32,163	479,503
Total comprehensive income for the financial year		-	-	447,340	4,393,201	4,840,541	1,208,345	6,048,886
Transactions with owner:								
Dividends paid to immediate holding company		-	-	-	(1,526,902)	(1,526,902)	-	(1,526,902)
Dividends paid to non-controlling interests		-	-	-	-	-	(510,727)	(510,727)
Total transactions with owner		-	-	-	(1,526,902)	(1,526,902)	(510,727)	(2,037,629)
Balance as at 30 June 2022		34,854,974	(29,950,024)	6,167,686	63,521,124	74,593,760	1,296,858	75,890,618

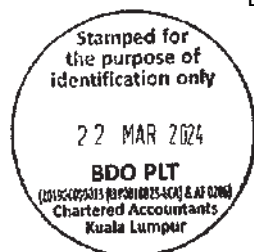


13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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Accountants' Report*

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

<-----Attributable to owner of the Company----->								
Note	Invested equity RM	Merger reserve RM	Revaluation reserve RM	Foreign currency translation reserve RM	Retained earnings RM	Total RM	Non- controlling interests RM	Total equity RM
Balance as at 1 July 2022	34,854,974	(29,950,024)	-	6,167,686	63,521,124	74,593,760	1,296,858	75,890,618
Profit for the financial year	-	-	-	-	12,499,699	12,499,699	1,629,204	14,128,903
Other comprehensive income, net of tax	-	-	15,988,241	3,679,724	-	19,667,965	699,142	20,367,107
Total comprehensive income for the financial year	-	-	15,988,241	3,679,724	12,499,699	32,167,664	2,328,346	34,496,010
Transactions with owner:								
Dividends paid to immediate holding company	-	-	-	-	(1,611,510)	(1,611,510)	-	(1,611,510)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(1,411,065)	(1,411,065)
Total transactions with owner	-	-	-	-	(1,611,510)	(1,611,510)	(1,411,065)	(3,022,575)
Balance as at 30 June 2023	34,854,974	(29,950,024)	15,988,241	9,847,410	74,409,313	105,149,914	2,214,139	107,364,053

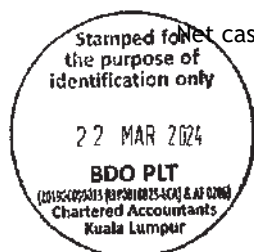


13. ACCOUNTANTS' REPORT

Mega Fortris Berhad (199801004408 (460535 - H))
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

	Note	2021 RM	2022 RM	2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit from continuing operations before taxation		7,006,704	8,532,447	19,725,402
Profit/(Loss) from discontinued operations before taxation		4,560,599	(1,402,734)	(1,772,124)
		11,567,303	7,129,713	17,953,278
Adjustments for:				
Allowance for impairment losses:				
- trade receivables	12(c)	1,785,467	1,449,132	736,361
- other receivables	12(d)	44,640	36,741	44,927
Reversal of impairment losses:				
- trade receivables		(2,448,105)	(2,257,719)	(766,493)
- other receivables		(1,887,298)	(277,826)	(2,125,284)
- contract assets	15(a)	(31,580)	(1,068)	(3,175)
Bad debts written off		40,039	15,804	259,219
Amortisation of intangible assets	10	297,707	393,249	395,086
Depreciation of property, plant and equipment		2,639,304	2,503,965	2,244,065
Depreciation of right-of-use assets		5,413,218	6,069,268	6,272,137
Net loss/(gain) on disposal of property, plant and equipment	24	81,138	(478)	(6,276)
Interest expense		2,346,299	2,256,328	3,685,060
Interest income from:				
- lease receivables	24	(6,682)	(1,114)	-
- others		(10,281)	(28,460)	(196,762)
Waiver of debts	24	(60,503)	-	-
Property, plant and equipment written off	24	17,600	7,010	3,516
Gain on derecognition upon early termination		(1,387)	(2,316)	(23,641)
Gain on lease reassessment		(21,550)	-	(28,927)
Waiver of term loan	24	-	(671,354)	-
Net unrealised (gain)/loss on foreign exchange		(737,566)	908,601	2,191,356
Dividend income		-	-	(1,771,377)
Loss on disposal of other investments		-	-	29,230
Operating profit before working capital changes		19,027,763	17,529,476	28,892,300
(Increase)/Decrease in inventories		(1,043,329)	(5,661,329)	3,175,592
Decrease/(Increase) in trade and other receivables		415,925	280,707	(2,570,289)
(Increase)/Decrease in contract assets net of liabilities		(92,498)	242,513	(30,650)
Increase/(Decrease) in trade and other payables		778,334	(2,766,373)	(6,814,325)
Cash generated from operations		19,086,195	9,624,994	22,652,628
Tax paid		(3,261,872)	(1,911,966)	(3,118,640)
Net cash from operating activities		15,824,323	7,713,028	19,533,988



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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Accountants' Report*

COMBINED STATEMENTS OF CASH FLOWS (continued)

	Note	2021 RM	2022 RM	2023 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		16,963	29,574	196,762
Dividend received		-	-	1,771,377
Advances to former subsidiaries		(6,118,953)	(4,359,241)	(940,682)
Repayment from a former subsidiary		-	-	396,823
Repayment from immediate holding company		3,294,201	1,374,367	1,543,952
Repayment to immediate holding company		(677,559)	-	(764,087)
Purchase of:				
- property, plant and equipment	8	(2,284,797)	(2,232,943)	(1,419,238)
- intangible assets	10	(278,216)	-	(91,009)
- right-of-use assets		-	-	(75,503)
Proceeds from disposal of property, plant and equipment		77,195	195,504	103,489
Proceeds from disposal of other investments		2,550	4,309	801,798
Purchase of other investments		(14,681)	-	-
Net cash (used in)/from investing activities		(5,983,297)	(4,988,430)	1,523,682
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(1,418,430)	(1,464,931)	(2,880,565)
Dividends paid to immediate holding company		(4,577,687)	(1,526,902)	(1,611,510)
Dividends paid to non-controlling interest		(289,620)	(510,727)	(1,411,065)
Repayment of bank borrowings		(67,972,549)	(98,124,484)	(68,954,775)
Drawdown of bank borrowings		62,042,000	108,102,870	66,670,796
Net drawdown of lease liabilities		1,679,703	131,019	-
Payment of lease liabilities		(6,456,660)	(7,087,254)	(7,604,960)
Net cash used in financing activities		(16,993,243)	(480,409)	(15,792,079)
Net (decrease)/increase in cash and cash equivalents		(7,152,217)	2,244,189	5,265,591
Effects of exchange rate differences		(52,364)	970,181	3,664,252
Cash and cash equivalents at beginning of financial year		18,198,371	10,993,790	14,208,160
Cash and cash equivalents at end of financial year	16	10,993,790	14,208,160	23,138,003



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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Accountants' Report*

COMBINED STATEMENTS OF CASH FLOWS (continued)**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)**

	Bankers' acceptances (Note 20) RM	Invoice financing (Note 20) RM	Lease liabilities (Note 9) RM	Revolving credits (Note 20) RM	Term loans (Note 20) RM
As at 1 July 2020	16,556,000	-	15,778,104	13,000,000	14,588,366
Cash flows:					
- Drawdowns	62,042,000	-	-	-	-
- Repayments	(63,939,000)	-	(6,374,443)	(3,000,000)	(1,033,549)
Non-cash flows:					
- Unwinding of interest	-	-	914,482	-	-
- Effect of foreign exchange	-	-	271,152	-	30,072
- Gain on derecognition upon early termination	-	-	(84,781)	-	-
- Re-measurement	-	-	(11,637)	-	-
- Additions	-	-	6,072,952	-	-
As at 30 June 2021	<u>14,659,000</u>	<u>-</u>	<u>16,565,829</u>	<u>10,000,000</u>	<u>13,584,889</u>
As at 1 July 2021	14,659,000	-	16,565,829	10,000,000	13,584,889
Cash flows:					
- Drawdowns	33,566,000	27,037,823	-	10,000,000	37,499,047
- Repayments	(48,225,000)	(7,236,128)	(7,087,254)	(10,000,000)	(32,663,356)
Non-cash flows:					
- Unwinding of interest	-	-	791,397	-	-
- Effect of foreign exchange	-	284,640	(340,041)	-	918,488
- Gain on derecognition upon early termination	-	-	(133,929)	-	-
- Re-measurement	-	-	22,982	-	-
- Additions	-	-	3,950,901	-	-
- Waiver of term loan	-	-	-	-	(671,354)
As at 30 June 2022	<u>-</u>	<u>20,086,335</u>	<u>13,769,885</u>	<u>10,000,000</u>	<u>18,667,714</u>



13. ACCOUNTANTS' REPORT

Mega Fortris Berhad (199801004408 (460535 - H))
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
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COMBINED STATEMENTS OF CASH FLOWS (continued)**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	Invoice financing (Note 20) RM	Lease liabilities (Note 9) RM	Revolving credits (Note 20) RM	Term loans (Note 20) RM
As at 1 July 2022	20,086,335	13,769,885	10,000,000	18,667,714
Cash flows:				
- Drawdowns	66,670,796	-	-	-
- Repayments	(67,838,072)	(7,604,960)	-	(1,116,703)
Non-cash flows:				
- Unwinding of interest	-	804,495	-	-
- Effect of foreign exchange	325,015	521,238	-	1,065,512
- Gain on derecognition upon early termination	-	(279,727)	-	-
- Re-measurement	-	112,552	-	-
- Additions	-	5,091,886	-	-
As at 30 June 2023	<u>19,244,074</u>	<u>12,415,369</u>	<u>10,000,000</u>	<u>18,616,523</u>



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*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) ("Mega Fortris" or the "Company") was incorporated and domiciled in Malaysia under the Companies Act 2016 on 9 April 1998 as a private limited liability company.

On 8 August 2023, the Company changed its name from Mega Fortris (Malaysia) Sdn. Bhd. to Mega Fortris Sdn. Bhd.. Subsequently on 31 January 2024, the Company converted from a private limited liability company to a public limited liability company.

The registered office of the Company has changed from Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur to No. 5 & 7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur on 13 June 2023.

The principal place of business of the Company is located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor.

The immediate and ultimate holding companies are Mega Fortris Global Pte. Ltd., a company incorporated in Singapore and Mega Fortris Capital Limited, a company incorporated in British Virgin Islands respectively.

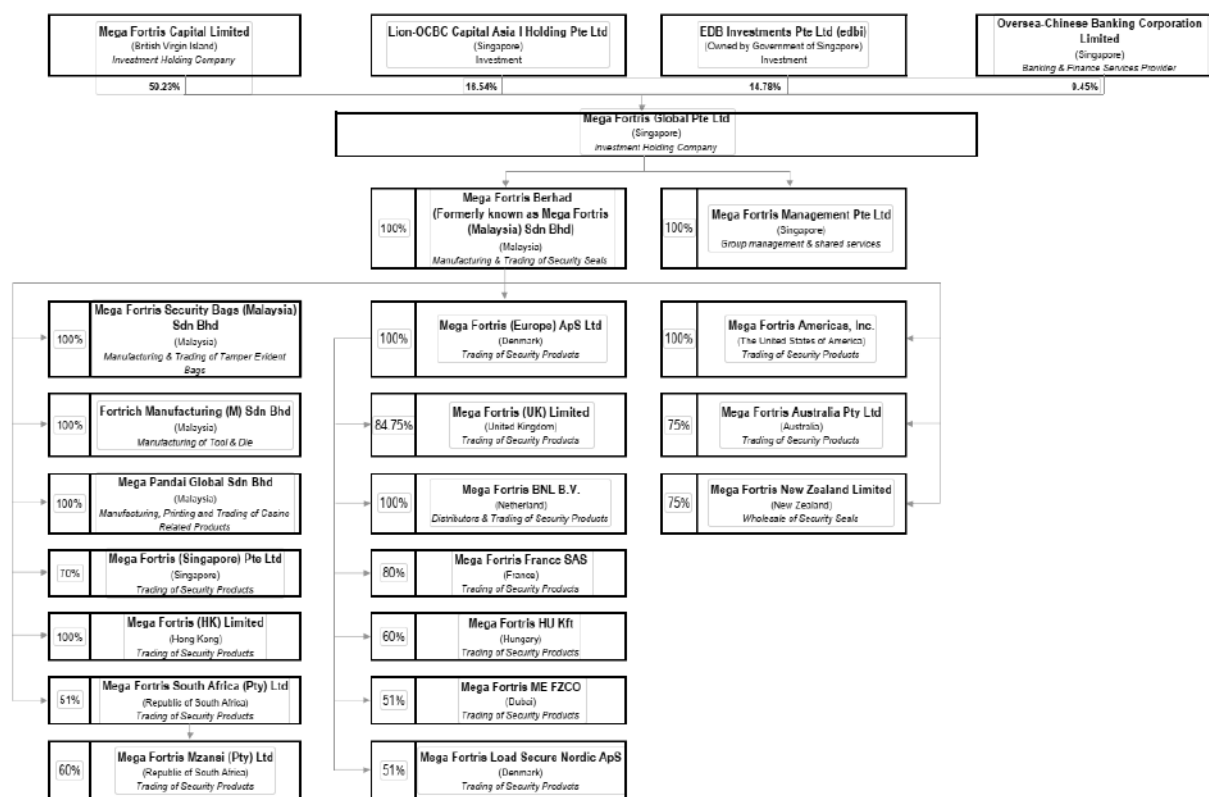
The Company was incorporated to carry on business as manufacturer and trader of security seals. Throughout the financial years under review, restructuring and corporate exercises were undertaken, which resulted in the Company becoming the holding company of Mega Fortris (Europe) ApS Ltd ("MFEU") and its subsidiaries ("MFEU Group"), Mega Fortris Americas, Inc. ("MFA"), Mega Fortris Australia Pty Ltd ("MFAUS") and Mega Fortris New Zealand Limited ("MFNZ") (collectively referred to as the "Other Combining Entities"). Since the acquisitions of the Other Combining Entities by the Company were only completed during the latest financial year required to be reported in accordance with paragraph 10.04 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia and the Group has demerged insignificant part of its economic activities and aimed to present the financial information for its remaining economic activities, for the purpose of this Accountants' Report, the Company has prepared the Combined Financial Statements instead of consolidated financial statements. Note 2 to the Combined Financial Statements explains further the basis of preparation of the Combined Financial Statements. The Group structure after the restructuring exercise is as shown in the following page:

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)



13. ACCOUNTANTS' REPORT

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(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**1. GENERAL INFORMATION (continued)**

During the financial year, the Company changed its principal activities from manufacturing and trading of security seals to investment holding, design and manufacturing of security seals and trading of related products and services. The principal activities of the Other Combining Entities are as disclosed in Note 6 to the Combined Financial Statements. There have been no significant changes in the nature of these activities other than the changes in the principal activities of Fortrich Manufacturing (M) Sdn. Bhd. from manufacturing of die-casting and tooling to manufacturing of tool and die and Mega Pandai Global Sdn. Bhd. from manufacturing, printing and trading of playing cards and other casino related products to manufacturing and printing of paper-based products, during the financial years under review.

These Combined Financial Statements for the financial years ended ("FYE(s)") 30 June 2021, 30 June 2022 and 30 June 2023 are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The Accountants' Report comprises the Combined Financial Statements of the Company and the Other Combining Entities (collectively referred to as the "Group") for the FYEs 30 June 2021, 30 June 2022 and 30 June 2023. The Combined Financial Statements of the Group consist of the audited financial statements of the Company and the Other Combining Entities and are prepared solely for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) on the Main Market of Bursa Malaysia Securities Berhad (the "Listing").

The relevant financial years of the audited financial statements used for the purpose of this Report and the statutory auditors of the respective companies within the Group are as follows:

Company	Relevant Financial Years	Auditors
Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO PLT BDO PLT BDO PLT
Mega Fortris Security Bags (Malaysia) Sdn. Bhd.	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO PLT BDO PLT BDO PLT
Fortrich Manufacturing (M) Sdn. Bhd.	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO PLT BDO PLT BDO PLT
Mega Pandai Global Sdn. Bhd.	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO PLT BDO PLT BDO PLT
Mega Fortris (Singapore) Pte Ltd	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Lau Chin Huat & Co Lau Chin Huat & Co Lau Chin Huat & Co



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)**

The relevant financial years of the audited financial statements used for the purpose of this Report and the statutory auditors of the respective companies within the Group are as follows:
(continued)

Company	Relevant Financial Years	Auditors
Mega Fortris (HK) Limited	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	C. M. Hui & Co. C. M. Hui & Co. C. M. Hui & Co.
Mega Fortris South Africa (Pty) Ltd *	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Not audited Not audited Not audited
Mega Fortris Americas, Inc	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Wilkin & Guttenplan, P.C. Wilkin & Guttenplan, P.C. Wilkin & Guttenplan, P.C.
Mega Fortris Australia Pty Ltd	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Kirkby Jones Financial Group Kirkby Jones Financial Group Kirkby Jones Financial Group
Mega Fortris New Zealand Limited	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	BDO Auckland CBD JDW Chartered Accountants Limited JDW Chartered Accountants Limited
Mega Fortris (Europe) ApS Ltd	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a.
Subsidiary of Mega Fortris South Africa (Pty) Ltd		
Mega Fortris Mzansi (Pty) Ltd *	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Not audited Not audited Not audited
Subsidiaries of Mega Fortris (Europe) ApS Ltd		
Mega Fortris (UK) Ltd	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Tomkinson Teal (Lichfield) LLP Tomkinson Teal (Lichfield) LLP Tomkinson Teal (Lichfield) LLP



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)**

The relevant financial years of the audited financial statements used for the purpose of this Report and the statutory auditors of the respective companies within the Group are as follows: (continued)

Company	Relevant Financial Years	Auditors
Mega Fortris HU Kft	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	FH Audit Ltd. FH Audit Ltd. FH Audit Ltd.
Mega Fortris BNL B.V.	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Not audited # Not audited #
Mega Fortris France SAS	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Audit ET Conseil DS Audit ET Conseil DS Audit ET Conseil DS
Mega Fortris Load Secure Nordic Aps	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a. Crowe Statsautoriseret Revisionsinteressentskab v.m.b.a.
Mega Fortris ME FZCO	FYE 30 June 2021 FYE 30 June 2022 FYE 30 June 2023	JAXA Chartered Accountants JAXA Chartered Accountants JAXA Chartered Accountants

* *Subsidiaries are consolidated based on the latest management accounts. The financial statements of these subsidiaries are not required to be audited as they had been placed under liquidation since FYE 30 June 2021. The subsidiaries are not material to the Group.*

The subsidiary has been consolidated based on the unaudited financial statements as the subsidiary is not required to be audited for the financial years ended 30 June 2022 and 30 June 2023 under local regulations. This subsidiary is not material to the Group.

The audited financial statements of the Company and the Other Combining Entities for the relevant financial years reported above were not subject to any qualification or modification.

The Combined Financial Statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)**

The Combined Financial Statements of the Group have also been prepared in accordance with the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants and on the assumption that the Group has been operating as a single economic entity throughout the financial years presented in these Combined Financial Statements.

Throughout the financial years under review, the Company and the Other Combining Entities are under the common control of Mega Fortris Global Pte. Ltd. ("MFGPL") and its substantial shareholder, Mega Fortris Capital Limited. Although the actual acquisition of the combining entities took place on 30 June 2023, the effect of the issuance of ordinary shares by the Company to MFGPL pursuant to the acquisition of the combining entities had been effected on 1 July 2020.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Common control exists when the same parties have ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the Combined Financial Statements from the day that common control commences until the date that control ceases.

The financial information as presented in the Combined Financial Statements may not correspond with the consolidated financial statements of the Group had the relevant acquisitions to legally constitute the Group been incorporated for the respective financial years. Consequently, such financial information in the Combined Financial Statements does not purport to predict the financial positions, results of operations and cash flows of the Group for the financial years under review.

The accounting policies adopted are consistent with those of the previous financial year except for the change in accounting policy with respect to the subsequent measurement of freehold land and buildings from the cost model to the revaluation model as disclosed in Note 8(a) to the financial statements and the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial years are disclosed in Note 4 to the Combined Financial Statements.

The Combined Financial Statements of the Group have been prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The preparation of Combined Financial Statements in conformity with MFRS and IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in the Note 5 to the Combined Financial Statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.



13. ACCOUNTANTS' REPORT

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.1 Common control business combinations****3.1.1 Basis of consolidation**

The combined financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting of similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual agreements; and
- (c) the voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests, if any, represent equity in subsidiaries that are not attributable, directly or indirectly, to owner of the parent, and is presented separately in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position, separately from equity attributable to owner of the Company. Profit or loss and each component of other comprehensive income are attributed to the owner of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.



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*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Common control business combinations (continued)****3.1.1 Basis of consolidation (continued)**

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.1.2 Business combinations

Business combinations other than those involving entities under common control, are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacements by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Common control business combinations (continued)****3.1.2 Business combinations (continued)**

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows:

- (a) Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.
- (b) Other contingent consideration that:
 - (i) is within the scope of MFRS 9 Financial Instruments shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9 *Financial Instruments* for the relevant period.
 - (ii) is not within the scope of MFRS 9 *Financial Instruments* shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRS. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.



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*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Common control business combinations (continued)****3.1.2 Business combinations (continued)**

Business combinations involving entities under common control are accounted for by applying the pooling of interest method of accounting. The assets and liabilities of the entities are reflected at their carrying amounts reported in the consolidated financial statements of the Group. The excess of the consideration paid over the share capital of the subsidiaries as at the acquisition date, pre-acquisition retained earnings and any goodwill acquired under the pooling of interest method of accounting is reflected within equity as merger reserve. The statements of profit or loss and other comprehensive income reflects the results of the entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

Entities under common control are entities, which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the consolidated financial statements from the day that control commences until the date that control ceases.

3.2 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land and buildings are stated at valuation, which is the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.



13. ACCOUNTANTS' REPORT

Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.2 Property, plant and equipment and depreciation (continued)**

Freehold land and buildings are revalued at least every three (3) years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of each reporting period. The surplus arising from such revaluations is credited to shareholders' equity as a revaluation reserve, net of deferred tax, if any, and any subsequent deficit is offset against such surplus to the extent of a previous increase for the same property. In all other cases, the deficit would be charged to profit or loss. For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus is recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to revaluation reserve.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the industry within which the Group operates. The principal annual depreciation rates are as follows:

Freehold buildings	2%
Plant and machineries	10% - 50%
Tools and equipment	20% - 33%
Electrical installation	20%
Furniture and fittings	7% - 25%
Air-conditioners	20%
Office equipment	5% - 50%
Renovation	2.5% - 20%
Motor vehicles	20%

Freehold land has unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.6 to the Combined Financial Statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3 Leases****The Group as lessee**

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recorded at cost, which comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3 Leases (continued)****The Group as lessee (continued)****Right-of-use asset (continued)**

The right-of-use asset is depreciated using the straight-line method from the commencement earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease terms of right-of-use assets are as follows:

Buildings	2 to 6 years
Plant and machineries	5 years
Tools and equipment	3 to 5 years
Motor vehicles	5 years
Office equipment	1 to 3 years

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

3.4 Intangible assets**(a) Goodwill on consolidation**

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.4 Intangible assets (continued)****(a) Goodwill on consolidation (continued)**

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives of two (2) to ten (10) years and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group and the Company. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired.



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Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that are initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

3.5 Contract asset

A contract asset is the right to consideration for services transferred to the customer when that right is conditioned on something other than the passage of time (for example, the Company's future performance). A contract asset is transferred to receivable when the rights to economic benefits become unconditional. This would occur when the Company issues billing to the customer.

The policy for the recognition and measurement of impairment loss is in accordance with Note 3.9 to the financial statements.

3.6 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets, inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.



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In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised in other comprehensive income for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out basis. Cost of consumables and raw materials comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

The Group writes down its slow moving inventories based on specific assessment by Directors which involved judgement about the ageing and design of inventories, coupled with market knowledge of merchandising department and the valuation of inventories which is subject to the fluctuation of the market price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable.



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A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

(a) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets is as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.



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Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income ("FVTOCI") if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments, which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. Any gains or losses arising from the changes in fair value are recognised in profit or loss.

(ii) Financial assets measured subsequently at fair value

The Group does not have any financial assets measured at FVTOCI and FVTPL as at the end of the reporting period.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group has an option to elect an irrevocable option to designate its equity instruments at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss for equity instruments measured at FVTPL. As for equity instruments measured at FVTOCI, any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss.



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The Group does not have any equity instrument measured at FVTPL and FVTOCI as at the end of the reporting period.

Dividend on equity instruments are recognised in profit or loss when the right to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.



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Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.



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The Group measures a liability to distribute non-cash assets as a dividend to the owner of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is re-measured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Companies Act 2016 in Malaysia.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Group. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

3.9 Impairment of financial assets

The Group recognises loss allowance for expected credit loss ("ECL") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables, contract assets and lease receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.



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In measuring the expected credit losses on trade receivables, contract assets and lease receivables, the probability of non-payment by the trade receivables, contract assets and lease receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables, contract assets and lease receivables. For trade receivables, contract assets and lease receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivables, contract assets and lease receivables would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

The Group uses an allowance matrix to measure ECLs of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a "roll rate" method based on probability of a receivable progressing through successive stages of delinquency to 90 days past due.

The Group considers credit loss experience and observable data such as current changes and futures forecasts in economic conditions of the Group's industry to the financial statements to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Impairment for other receivables, amounts due from immediate holding company, related companies and related parties are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised.

For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by other receivables, amounts due from immediate holding company, related companies and related parties are adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and amounts due from related parties.



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The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.11 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.



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A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

3.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.



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Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

3.14 Employee benefits**(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short-term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.



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The Company and its combining entities incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as liabilities after deducting any contributions already paid and as expenses in the period in which the employees render their services.

3.15 Foreign currencies**(a) Functional and presentation currency**

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Combined Financial Statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

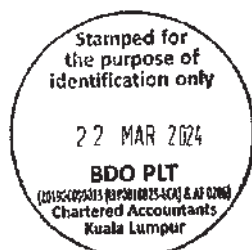
Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

3.16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group and the Company recognise revenue when (or as) they transfer control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company transfer control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group and the Company perform;
- (b) the Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or



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- (c) the Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

- (a) Sale of goods

Revenue from sale of goods is recognised at a point in time when the goods have been transferred to the customer and coincides with the delivery of goods and acceptance by customers. Revenue recognised is net of any sales discounts and tax.

- (b) Projects

Projects may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from projects is measured at the fixed transaction price agreed under the agreement.

The Group and the Company determine the transaction price of a contract after considering the effect of variable consideration, constraining estimates of variable consideration, effect of significant financing component, non-cash consideration and consideration payable to customer.

When the fair value of variable consideration is uncertain, the Group and the Company estimate the amount of consideration by using the most likely amount method and only recognise to the extent that is highly probable that a significant reversal in cumulative revenue will not occur.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group and the Company would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Control of the asset is transferred over time if the performance of the Group and of the Company does not create an asset with an alternative use to the Group and the Company and the Group and the Company have an enforceable right to payment for performance completed to date.

The Group and the Company recognise revenue over time using an input method by reference to the labour hours expended relative to the total expected labour hours for satisfaction of that performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group and the Company.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.16 Revenue recognition (continued)****(b) Projects (continued)**

The Group and the Company identify performance obligations that are distinct and material, which are judgemental in the context of contracts. Transaction prices are determined based on estimated profit margins prior to its allocation to the identified performance obligations. The Group and the Company also estimate total performance period in applying the input method to recognise revenue over time. In estimating total performance period to complete, the Group and the Company consider the completeness and accuracy of their performance period estimation, including performance period for contract variations.

(c) Maintenance income

Revenue from sale of maintenance services rendered is recognised over time throughout the period of contracts using an input method. Income for the expired period is recognised in the profit or loss on accrual basis and income relating to the unexpired period is carried forward as deferred maintenance income.

Revenue recognition not relation to performance obligations is described below:

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(b) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease term of an ongoing lease.

(d) Management fee

The provision of management fee is recognised when services are rendered.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.17 Operating segments**

Operating segments are defined as components of the Group that:

- (a) engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) whose operating results are regularly reviewed by the chief operating decision maker of the Group particularly in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) the combined reported profit of all operating segments that did not report a loss; and
 - (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial period in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.18 Earnings per share**

- (a) Basic earnings per ordinary share for the financial year is calculated by dividing the net profit for the financial year attributable to owners of the combining entities by the weighted average number of ordinary shares outstanding during the financial year.
- (b) Diluted earnings per ordinary share for the financial year is calculated by dividing the net profit for the financial year attributable to owners of the combining entities by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

3.19 Fair value measurements

The fair value of an asset or a liability, except for lease transactions is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) an entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.19 Fair value measurements (continued)**

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable:

- (a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (c) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

3.20 Disposal group held for sale and discontinued operations

- (a) Disposal group held for sale and discontinued operations

Disposal group is classified as held for sale if its carrying amount would be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the disposal group shall be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such disposal group and its sale must be highly probable. The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable.

The sale is expected to qualify for recognition as a completed sale within one (1) year from the date of classification. However, an extension of the period required to complete the sale does not preclude the disposal group from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale or otherwise.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.20 Disposal group held for sale and discontinued operations (continued)****(a) Disposal group held for sale and discontinued operations (continued)**

Immediately before the initial classification as held for sale, the carrying amounts of all the assets and liabilities in a disposal group are measured in accordance with applicable MFRSs. On initial classification as held for sale, disposal group (other than investment properties, deferred tax assets, employee benefit assets and financial assets carried at fair value) are measured at the lower of its carrying amount before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

The Group measures a disposal group classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

Disposal group held for sale is classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal group) in the statements of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the disposal group classified as held for sale is presented separately.

If the Group has classified a disposal group as held for sale but subsequently, the criteria for classification is no longer met, the Group ceases to classify the disposal group as held for sale. The Group measures a non-current asset that ceases to be included in a disposal group classified as held for sale at the lower of:

- (i) Its carrying amount before the disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the disposal group not been classified as held for sale; and
- (ii) Its recoverable amount at the date of the subsequent decision not to sell.

(b) Discontinued operations

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative period.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**4. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs****4.1 New MFRSs adopted during the financial years**

The Group adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the reporting periods:

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions</i>	1 June 2020*
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020^
<i>Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
<i>Amendment to MFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021*
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

* Early adopted by the Group.

^ Effective immediately.

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**4. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)****4.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023**

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes International Tax Reform - Pillar Two Mode Rules</i>	See paragraph 98M of MFRS 112
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 107 <i>Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**5.1 Changes in estimates**

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period and at the end of the reporting period.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****5.2 Critical judgements made in applying accounting policies**

The following are judgements made by the management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other temporary differences to the extent that it is probable that future taxable profits would be available against which the losses, capital allowances and other temporary differences could be utilised. Significant management's judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

5.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of property, plant and equipment and right-of-use assets

Management used forecasted cash flows and a value-in-use model to determine the recoverable amounts of the property, plant and equipment and right-of-use assets in certain subsidiaries/Cash Generating Units ("CGU") which have indication of impairment to assess if there is any impairment loss required on the property, plant and equipment and right-of-use assets.

The determination of whether or not an impairment loss is necessary involves significant judgements and estimates about the future results and key assumptions applied to cash flow projections of these CGUs in determining their recoverable amounts. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

(b) Impairment of goodwill on consolidation

The Group determines whether goodwill on consolidation is impaired at least on an annual basis. This requires an estimation of the value-in-use of the subsidiaries to which goodwill is allocated. Estimating a value-in-use amount requires the management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****5.3 Key sources of estimation uncertainty (continued)****(c) Impairment of intangible assets**

The Group determines whether an asset is impaired by evaluating the extent to which the recoverable amount of an asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country.

Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. For such discounted cash flows method, it involves the use of estimated future results and a set of assumptions to reflect its income and cash flows. Judgement has been used to determine the discount rate for the cash flows and the future growth of the business.

(d) Impairment of receivables

The impairment allowances for trade receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, the existing market conditions including forward-looking estimates at end of the reporting period.

(e) Net realisable values of inventories

Reviews are made periodically by the management on damaged, obsolete and slow-moving inventories. These reviews require judgements and estimates. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered.

(f) Determination of the lease term of leases

The Group determines the lease term of a lease as the non-cancellable period of the lease, together with periods covered by an option to extend or to terminate the lease if the Group is reasonably certain to exercise the relevant options. The management has considered the relevant facts and circumstances that create an economic incentive for the Group to either exercise the option to extend the lease, or to exercise the option to terminate the lease. Any differences in expectations from the original estimates would impact the carrying amounts of the lease liabilities of the Group.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**6. COMBINING ENTITIES**

Details of the combining entities are as follows:

Name of combining entities	Effective interest in equity			Date of incorporation	Country of incorporation/ Principal place of business	Principal activities
	2021	held 2022	2023			
Mega Fortris (Europe) ApS Ltd	100%	100%	100%	19 April 2002	Denmark	Trading of security seals and tamper evident products
Mega Fortris (UK) Ltd	84.75%	84.75%	84.75%	17 January 1997	United Kingdom	Trading of security seals and tamper evident products
Mega Fortris HU Kft.	60%	60%	60%	1 January 2005	Hungary	Trading of security seals and tamper evident products
Mega Fortris France SAS	80%	80%	80%	2 January 2006	France	Trading of security seals and tamper evident products
Mega Fortris BNL B.V.	100%	100%	100%	15 February 2019	Netherlands	Trading of security seals and tamper evident products
Mega Fortris Load Secure Nordic Aps	51%	51%	51%	9 March 2015	Denmark	Trading of security seals and tamper evident products
Mega Fortris ME FZCO	51%	51%	51%	2 February 2012	United Arab Emirates	Trading of packing and packaging materials and packing and packaging equipment



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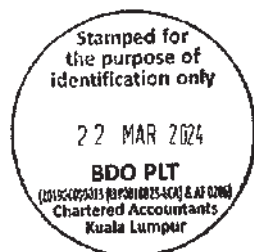
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. COMBINING ENTITIES (continued)

Details of the combining entities are as follows: (continued)

Name of combining entities	Effective interest in equity			Date of incorporation	Country of incorporation/ Principal place of business	Principal activities
	2021	2022	2023			
Mega Fortris Americas, Inc.	100%	100%	100%	26 June 2003	The United States of America	Trading of security seals and tamper evident products
Mega Fortris Australia Pty Ltd	75%	75%	75%	24 January 2006	Australia	Trading of security products
Mega Fortris New Zealand Limited	75%	75%	75%	10 June 1985	New Zealand	Wholesale of security seals

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS**

The Group has arrived at two (2) reportable segments that are organised and managed separately based on information reported internally to the Management and the Board of Directors. The reportable segments are summarised as follows:

Manufacturing: Manufacturing and trading of security seals and tamper evident bags
Trading: Trading and wholesale of security seals and tamper evident products

The accounting policies of operating segments are the same as those described in this report. The Group evaluates performance on the basis of profit or loss from operations before tax.

Inter-segment revenue is priced lower than sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the FYEs 30 June 2021, 30 June 2022 and 30 June 2023. The Group supplies its portfolio of products to numerous customers and multiple industries across various countries. In this regard, the Group's revenue is also segmented by business activities and product categories.

Segment assets exclude tax assets. Segment liabilities exclude tax liabilities. Even though borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors. Details are provided in the reconciliations from segment assets and liabilities to the position of the Group.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one (1) period for each reportable segment.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)**

2021	Continuing operations		Discontinuing operations	Total RM
	Manufacturing RM	Trading RM	Trading RM	
Revenue				
Total revenue	76,476,042	110,838,524	4,560,125	191,874,691
Inter-segment revenue	(47,630,419)	(4,585,871)	-	(52,216,290)
Revenue from external customers	28,845,623	106,252,653	4,560,125	139,658,401
Finance costs	2,105,486	286,612	13,387	2,405,485
Depreciation and amortisation				
- Property, plant and equipment	2,284,276	315,388	39,640	2,639,304
- Right-of-use assets	3,371,664	1,938,332	103,222	5,413,218
- Intangible assets	195,633	102,074	-	297,707
Segment profit before income tax	2,945,111	4,061,593	4,560,599	11,567,303
Taxation	565,477	1,885,606	-	2,451,083
Other material non-cash items:				
Allowance for impairment losses on trade and other receivables	484,032	1,346,075	-	1,830,107
Reversal of impairment losses on trade and other receivables	2,285,848	2,049,555	-	4,335,403
Capital expenditure	1,785,492	499,305	-	2,284,797
Segment assets	87,176,406	66,235,102	3,345,779	156,757,287
Segment liabilities	63,909,804	21,027,256	410,307	85,347,367



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)**

2022	Continuing operations		Discontinuing operations	Total
	Manufacturing RM	Trading RM	Trading RM	RM
Revenue				
Total revenue	85,579,917	123,121,709	-	208,701,626
Inter-segment revenue	(53,412,046)	(78,900)	-	(53,490,946)
Revenue from external customers	32,167,871	123,042,809	-	155,210,680
Finance costs	1,947,272	349,209	-	2,296,481
Depreciation and amortisation				
- Property, plant and equipment	2,150,587	353,378	-	2,503,965
- Right-of-use assets	4,003,197	2,066,071	-	6,069,268
- Intangible assets	195,634	197,615	-	393,249
Segment (loss)/profit before income tax	(622,547)	9,154,994	(1,402,734)	7,129,713
Taxation	(102,312)	1,662,642	-	1,560,330
Other material non-cash items:				
Allowance for impairment losses on trade and other receivables	198,609	1,287,264	-	1,485,873
Reversal of impairment losses on trade and other receivables	385,249	2,150,296	-	2,535,545
Capital expenditure	1,934,804	298,139	-	2,232,943
Segment assets	87,035,180	78,761,358	3,115,828	168,912,366
Segment liabilities	71,144,306	22,339,060	382,105	93,865,471



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)**

2023	Continuing operations		Discontinuing operations	Total RM
	Manufacturing RM	Trading RM	Trading RM	
Revenue				
Total revenue	88,574,170	121,754,287	-	210,328,457
Inter-segment revenue	(49,023,553)	(1,687)	-	(49,025,240)
Revenue from external customers	39,550,617	121,752,600	-	161,303,217
Finance costs	3,307,384	452,552	-	3,759,936
Depreciation and amortisation				
- Property, plant and equipment	1,906,992	337,073	-	2,244,065
- Right-of-use assets	4,214,388	2,057,749	-	6,272,137
- Intangible assets	203,217	191,869	-	395,086
Segment profit before income tax	7,943,563	11,781,839	(1,772,124)	17,953,278
Taxation	1,272,448	2,551,927	-	3,824,375
Other material non-cash items:				
Revaluation surplus on freehold land and buildings	18,734,528	-	-	18,734,528
Allowance for impairment losses on trade and other receivables	463,581	317,707	-	781,288
Reversal of impairment losses on trade and other receivables	2,373,622	347,587	170,568	2,891,777
Capital expenditure	1,267,833	151,405	-	1,419,238
Segment assets	115,672,063	75,681,423	3,022,741	194,376,227
Segment liabilities	64,723,774	19,308,303	349,677	84,381,754



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)****Analysis of revenue by business activities and products**

	2021 RM	2022 RM	2023 RM
Continuing operations			
Sales of in-house manufactured products			
Security Seals			
Plastic Seals	46,256,020	51,580,537	58,138,219
Container Seals	23,140,947	25,837,177	25,797,556
Cable Seals	32,500,030	35,264,531	32,361,850
Security Bags	6,516,189	8,580,804	6,896,786
	108,413,186	121,263,049	123,194,411
Trading and Services			
Load Secure Products	17,379,694	23,002,197	25,164,127
Other Trading Products and Services	9,305,396	10,945,434	12,944,679
	26,685,090	33,947,631	38,108,806
Total revenue from continuing operations	135,098,276	155,210,680	161,303,217
Discontinued operations			
Sales of in-house manufactured products			
Security Seals			
Plastic Seals	1,602,566	-	-
Container Seals	913,917	-	-
Cable Seals	547,218	-	-
Security Bags	1,341,579	-	-
	4,405,280	-	-
Trading and Services			
Load Secure Products	-	-	-
Other Trading Products and Services	154,845	-	-
	154,845	-	-
Total revenue from discontinued operations	4,560,125	-	-
Total	139,658,401	155,210,680	161,303,217



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)**

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

Revenue	2021 RM	2022 RM	2023 RM
Total revenue for reportable segment	191,874,691	208,701,626	210,328,457
Elimination of inter-segmental revenue	(52,216,290)	(53,490,946)	(49,025,240)
Revenue from discontinuing operations	<u>(4,560,125)</u>	<u>-</u>	<u>-</u>
Revenue of the Group per statements of profit or loss and other comprehensive income	<u>135,098,276</u>	<u>155,210,680</u>	<u>161,303,217</u>
Profit for the financial year			
Total profit for reportable segment	11,567,303	7,129,713	17,953,278
Less: Taxation	<u>(2,451,083)</u>	<u>(1,560,330)</u>	<u>(3,824,375)</u>
Profit for the financial year per statements of profit or loss and other comprehensive income	<u>9,116,220</u>	<u>5,569,383</u>	<u>14,128,903</u>
Assets			
Total assets for reportable segments	156,757,287	168,912,366	194,376,227
Deferred tax assets	299,005	417,092	440,046
Current tax assets	<u>1,843,187</u>	<u>1,915,820</u>	<u>988,068</u>
Total assets per statements of financial position	<u>158,899,479</u>	<u>171,245,278</u>	<u>195,804,341</u>
Liabilities			
Total liabilities for reportable segments	85,347,367	93,865,471	84,381,754
Deferred tax liabilities	944,817	667,175	3,144,402
Current tax liabilities	<u>727,934</u>	<u>822,014</u>	<u>914,132</u>
Total liabilities per statements of financial position	<u>87,020,118</u>	<u>95,354,660</u>	<u>88,440,288</u>



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*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**7. OPERATING SEGMENTS (continued)****Geographical information**

In presenting information on the basis of geographical areas, segment revenue is based on the region and country of operations. The composition of each geographical segment is Asia Pacific, Europe, the United States of America ("USA"), Middle East and Africa.

Segment assets are based on the geographical location of the assets of the Group. The non-current assets do not include deferred tax assets.

	2021 RM	2022 RM	2023 RM
Revenue from external customers			
Continuing operations			
Asia Pacific	42,735,609	46,835,884	56,363,356
Europe	53,448,502	57,865,971	53,188,053
USA	32,463,958	42,564,889	42,081,278
Middle East	6,450,207	7,943,936	9,670,530
	135,098,276	155,210,680	161,303,217
Discontinued operations			
Africa	4,560,125	-	-
	<u>139,658,401</u>	<u>155,210,680</u>	<u>161,303,217</u>
Non-current assets			
Continuing operations			
Asia Pacific	59,099,469	58,131,109	75,004,737
Europe	8,440,431	7,883,679	14,225,713
USA	1,405,075	956,056	519,049
Middle East	100,032	71,898	44,613
	<u>69,045,007</u>	<u>67,042,742</u>	<u>89,794,112</u>

Major customers

The Group does not have any major customer with revenue equal or more than ten percent (10%) of revenue of the Group.



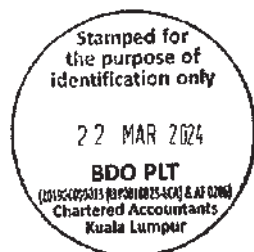
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Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT

	As at 1.7.2020 RM	Transfer to right-of-use assets RM	Transfer from right-of-use assets RM	Additions RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2021 RM
Cost								
Freehold land	20,000,000	-	-	-	-	-	-	20,000,000
Freehold buildings	17,399,950	-	-	-	-	-	146,519	17,546,469
Plant and machineries	14,289,431	(1,057,344)	169,206	219,858	(465,517)	(98,330)	109,565	13,166,869
Tools and equipment	20,398,042	(155,000)	231,000	437,832	-	(508,599)	-	20,403,275
Electrical installation	1,688,916	-	-	-	-	-	-	1,688,916
Furniture and fittings	1,073,379	-	-	46,842	-	(380)	24,634	1,144,475
Air-conditioners	195,100	-	-	26,475	-	(2,470)	-	219,105
Office equipment	3,951,731	(55,426)	-	334,944	(44,378)	(9,880)	26,463	4,203,454
Renovation	5,453,277	-	-	907,258	-	-	1,305	6,361,840
Motor vehicles	1,304,208	(270,241)	-	311,588	(83,482)	-	(1,648)	1,260,425
	<u>85,754,034</u>	<u>(1,538,011)</u>	<u>400,206</u>	<u>2,284,797</u>	<u>(593,377)</u>	<u>(619,659)</u>	<u>306,838</u>	<u>85,994,828</u>



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	As at 1.7.2020 RM	Transfer to right-of-use assets RM	Transfer from right-of-use assets RM	Depreciation charge for the financial year RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2021 RM
Accumulated depreciation								
Freehold buildings	2,153,696	-	-	332,955	-	-	28,183	2,514,834
Plant and machineries	11,789,114	(35,245)	145,356	414,935	(307,184)	(98,330)	98,281	12,006,927
Tools and equipment	15,861,814	(5,166)	231,000	1,160,581	-	(490,999)	-	16,757,230
Electrical installation	1,600,338	-	-	33,433	-	-	-	1,633,771
Furniture and fittings	842,880	-	-	69,958	-	(380)	14,383	926,841
Air-conditioners	103,281	-	-	30,756	-	(2,470)	-	131,567
Office equipment	3,501,251	(8,313)	-	182,675	(44,378)	(9,880)	22,482	3,643,837
Renovation	4,887,766	-	-	351,827	-	-	1,305	5,240,898
Motor vehicles	1,291,362	(15,300)	-	22,544	(83,482)	-	(1,266)	1,213,858
	<u>42,031,502</u>	<u>(64,024)</u>	<u>376,356</u>	<u>2,599,664</u>	<u>(435,044)</u>	<u>(602,059)</u>	<u>163,368</u>	<u>44,069,763</u>



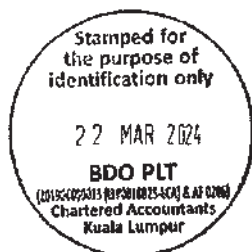
13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	As at 1.7.2021 RM	Transfer to right-of-use assets RM	Transfer from right-of-use assets RM	Additions RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2022 RM
Cost								
Freehold land	20,000,000	-	-	-	-	-	-	20,000,000
Freehold buildings	17,546,469	-	-	-	-	-	(358,182)	17,188,287
Plant and machineries	13,166,869	-	1,217,601	260,855	(95,355)	(105,940)	(132,271)	14,311,759
Tools and equipment	20,403,275	(78,000)	297,000	273,033	-	(28,650)	-	20,866,658
Electrical installation	1,688,916	-	-	7,800	-	-	-	1,696,716
Furniture and fittings	1,144,475	-	-	37,693	-	-	(18,546)	1,163,622
Air-conditioners	219,105	-	-	24,130	-	(17,970)	-	225,265
Office equipment	4,203,454	-	-	172,586	(71,307)	(11,335)	(69,468)	4,223,930
Renovation	6,361,840	-	-	1,409,439	-	-	(12,217)	7,759,062
Motor vehicles	1,260,425	-	398,583	47,407	(262,426)	-	18,121	1,462,110
	<u>85,994,828</u>	<u>(78,000)</u>	<u>1,913,184</u>	<u>2,232,943</u>	<u>(429,088)</u>	<u>(163,895)</u>	<u>(572,563)</u>	<u>88,897,409</u>



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)*

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

	As at 1.7.2021 RM	Transfer to right-of-use assets RM	Transfer from right-of-use assets RM	Depreciation charge for the financial year RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2022 RM
Accumulated depreciation								
Freehold buildings	2,514,834	-	-	329,969	-	-	(77,401)	2,767,402
Plant and machineries	12,006,927	-	1,217,597	423,978	(95,355)	(98,933)	(127,350)	13,326,864
Tools and equipment	16,757,230	(1,300)	216,531	830,307	-	(28,650)	-	17,774,118
Electrical installation	1,633,771	-	-	29,141	-	-	-	1,662,912
Furniture and fittings	926,841	-	-	73,729	-	-	(11,981)	988,589
Air-conditioners	131,567	-	-	34,249	-	(17,967)	-	147,849
Office equipment	3,643,837	-	-	195,672	(67,209)	(11,335)	(61,226)	3,699,739
Renovation	5,240,898	-	-	536,504	-	-	(12,217)	5,765,185
Motor vehicles	1,213,858	-	167,926	50,416	(71,498)	-	2,176	1,362,878
	44,069,763	(1,300)	1,602,054	2,503,965	(234,062)	(156,885)	(287,999)	47,495,536



13. ACCOUNTANTS' REPORT

Mega Fortris Berhad (199801004408 (460535 - H))
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

	As at 1.7.2022 RM	Revaluation (Note 18) RM	Elimination of accumulated depreciation upon revaluation RM	Transfer from right-of-use assets RM	Additions RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2023 RM
Valuation/Cost									
<u>Assets at valuation</u>									
Freehold land	20,000,000	12,500,000	-	-	-	-	-	-	32,500,000
Freehold buildings	17,188,287	6,234,528	(1,875,528)	-	-	-	-	512,877	22,060,164
	37,188,287	18,734,528	(1,875,528)	-	-	-	-	512,877	54,560,164
<u>Assets at cost</u>									
Plant and machineries	14,311,759	-	-	2,308,612	132,504	(227,806)	(1,357,235)	275,117	15,442,951
Tools and equipment	20,866,658	-	-	420,000	771,383	-	(706,637)	-	21,351,404
Electrical installation	1,696,716	-	-	-	46,581	-	-	-	1,743,297
Furniture and fittings	1,163,622	-	-	-	44,041	(16,493)	(438,138)	32,481	785,513
Air-conditioners	225,265	-	-	-	13,716	-	(6,270)	-	232,711
Office equipment	4,223,930	-	-	-	73,184	(371,288)	(1,347,233)	87,926	2,666,519
Renovation	7,759,062	-	-	-	337,829	-	-	13,853	8,110,744
Motor vehicles	1,462,110	-	-	-	-	(170,472)	(4,000)	71,729	1,359,367
	51,709,122	-	-	2,728,612	1,419,238	(786,059)	(3,859,513)	481,106	51,692,506
	88,897,409	18,734,528	(1,875,528)	2,728,612	1,419,238	(786,059)	(3,859,513)	993,983	106,252,670

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(199801004408 (460535-H)) & AF 0206
Chartered Accountants
Kuala Lumpur

13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	As at 1.7.2022 RM	Transfer from right-of-use assets RM	Depreciation charge for the financial year RM	Elimination upon revaluation RM	Disposals RM	Written off RM	Foreign currency translation differences RM	As at 30.6.2023 RM
Accumulated depreciation								
<u>Assets at valuation</u>								
Freehold buildings	2,767,402	-	329,156	(1,875,528)	-	-	121,819	1,342,849
<u>Assets at cost</u>								
Plant and machineries	13,326,864	2,080,612	433,956	-	(177,771)	(1,356,851)	231,241	14,538,051
Tools and equipment	17,774,118	315,866	519,827	-	-	(703,506)	-	17,906,305
Electrical installation	1,662,912	-	26,764	-	-	-	-	1,689,676
Furniture and fittings	988,589	-	70,433	-	(16,493)	(438,138)	26,832	631,223
Air-conditioners	147,849	-	36,987	-	-	(6,269)	-	178,567
Office equipment	3,699,739	-	196,237	-	(360,771)	(1,347,233)	80,044	2,268,016
Renovation	5,765,185	-	605,880	-	-	-	13,854	6,384,919
Motor vehicles	1,362,878	-	24,825	-	(133,811)	(4,000)	65,449	1,315,341
	44,728,134	2,396,478	1,914,909	-	(688,846)	(3,855,997)	417,420	44,912,098
	47,495,536	2,396,478	2,244,065	(1,875,528)	(688,846)	(3,855,997)	539,239	46,254,947



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

	2021 RM	2022 RM	2023 RM
Carrying amount			
<u>Assets at valuation</u>			
Freehold land	-	-	32,500,000
Freehold buildings	-	-	20,717,315
	-	-	53,217,315
<u>Assets at cost</u>			
Freehold land	20,000,000	20,000,000	-
Freehold buildings	15,031,635	14,420,885	-
Plant and machineries	1,159,942	984,895	904,900
Tools and equipment	3,646,045	3,092,540	3,445,099
Electrical installation	55,145	33,804	53,621
Furniture and fittings	217,634	175,033	154,290
Air-conditioners	87,538	77,416	54,144
Office equipment	559,617	524,191	398,503
Renovation	1,120,942	1,993,877	1,725,825
Motor vehicles	46,567	99,232	44,026
	41,925,065	41,401,873	6,780,408
	41,925,065	41,401,873	59,997,723

- (a) During the financial year ended 30 June 2023, the Group changed its accounting policy with respect to the subsequent measurement of freehold land and buildings from the cost model to the revaluation model, with revaluation surplus recognised in revaluation reserve, net of deferred tax.

The carrying amount of the Group's freehold land located in Denmark was based on an independent valuation performed on 19 April 2023 by an external independent valuer, EDC Erhverv Poul Erik Bech.

The carrying amount of the Group's and the Company's freehold land and buildings located in Malaysia was based on an independent valuation performed on 30 June 2023 by an external independent valuer, VPC Alliance (PJ) Sdn. Bhd..



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*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)****(a) (continued)**

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models,

Property category	Description of valuation techniques and inputs used	Significant unobservable inputs	Inter-relationship between key observable inputs and fair value
Freehold land	Sales comparison method: Entails recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, physical characteristics, time element, if any and other relevant characteristics to arrive at the market value.	Price per square feet RM222 - 223	The estimated fair value would increase if the price per square foot is higher.
Freehold buildings	Sales comparison method: Entails recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustments made for differences in location, physical characteristics, time element, if any and other relevant characteristics to arrive at the market value.	Price per square feet RM125 - 570	The estimated fair value would increase if the price per square foot is higher.

Had the revalued assets been carried at cost, the carrying amounts would have been:

	2023 RM
Freehold land	20,000,000
Freehold buildings	14,482,787
	<u>34,482,787</u>



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

- (b) The fair value of freehold land and buildings (at valuation) of the Group and of the Company are categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2023				
Freehold land	-	-	32,500,000	32,500,000
Freehold buildings	-	-	20,717,315	20,717,315
	-	-	53,217,315	53,217,315

- (i) Level 3 fair value of land and buildings (at valuation) was based on the highest and best use, which does not differ from their actual use. The land and buildings (at valuation) of the Group are for own use.
- (ii) Land and buildings at Level 3 fair value measurements were recommended by the Directors as at the end of the reporting period based on update valuation exercises carried out by independent property valuers.
- (c) The carrying amounts of property, plant and equipment of the Group pledged as securities for banking facilities granted to the Group as disclosed in Note 20 to the financial statements are as follows:

	2021 RM	2022 RM	2023 RM
Freehold land	20,000,000	20,000,000	32,500,000
Freehold buildings	15,031,635	14,420,885	20,717,315
	35,031,635	34,420,885	53,217,315

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13. ACCOUNTANTS' REPORT

Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES****The Group as lessee****(a) Right-of-use assets**

	Buildings RM	Plant and machineries RM	Tools and equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Carrying value						
As at 1 July 2020	5,196,666	9,652,501	390,201	765,478	-	16,004,846
Transfers from property, plant and equipment	-	1,022,099	149,834	254,941	47,113	1,473,987
Transfers to property, plant and equipment	-	(23,850)	-	-	-	(23,850)
Additions	3,739,333	37,050	354,000	262,866	-	4,393,249
Depreciation charge for the financial year	(1,744,960)	(2,878,700)	(196,899)	(489,437)	-	(5,309,996)
Derecognition upon early termination	(83,394)	-	-	-	-	(83,394)
Re-measurement	12,873	-	-	(2,960)	-	9,913
Foreign currency translation differences	231,418	4,096	-	10,647	-	246,161
As at 30 June 2021/1 July 2021	7,351,936	7,813,196	697,136	801,535	47,113	16,710,916
Transfers from property, plant and equipment	-	-	76,700	-	-	76,700
Transfers to property, plant and equipment	-	(4)	(80,469)	(230,657)	-	(311,130)
Additions	1,502,575	561,460	596,000	1,159,847	-	3,819,882
Depreciation charge for the financial year	(2,357,223)	(2,834,373)	(296,528)	(570,302)	(10,842)	(6,069,268)
Derecognition upon early termination	(11,428)	-	-	-	-	(11,428)
Re-measurement	22,982	-	-	-	-	22,982
Foreign currency translation differences	(137,302)	(3,555)	-	(106,188)	(2,699)	(249,744)
As at 30 June 2022	6,371,540	5,536,724	992,839	1,054,235	33,572	13,988,910



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES (continued)****The Group as lessee (continued)****(a) Right-of-use assets (continued)**

	Buildings RM	Plant and machineries RM	Tools and equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Carrying value						
As at 1 July 2022	6,371,540	5,536,724	992,839	1,054,235	33,572	13,988,910
Transfers to property, plant and equipment	-	(228,000)	(104,134)	-	-	(332,134)
Additions	955,671	3,262,131	308,000	641,587	-	5,167,389
Depreciation charge for the financial year	(2,501,114)	(2,906,665)	(298,815)	(555,054)	(10,489)	(6,272,137)
Derecognition upon early termination	(232,851)	-	-	(23,235)	-	(256,086)
Re-measurement	141,479	-	-	-	-	141,479
Foreign currency translation differences	240,383	702	-	134,132	2,592	377,809
As at 30 June 2023	4,975,108	5,664,892	897,890	1,251,665	25,675	12,815,230



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES (continued)****The Group as lessee (continued)****(b) Lease liabilities**

	Buildings RM	Plant and machineries RM	Tools and equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Carrying value						
As at 1 July 2020	5,555,323	9,186,441	229,485	806,855	-	15,778,104
Additions	4,028,210	1,083,629	509,000	396,688	55,425	6,072,952
Lease payments	(2,322,508)	(3,248,229)	(275,638)	(519,754)	(8,314)	(6,374,443)
Interest expense	268,493	590,751	27,131	28,107	-	914,482
Derecognition upon early termination	(84,781)	-	-	-	-	(84,781)
Re-measurement	(8,676)	-	-	(2,961)	-	(11,637)
Foreign currency translation differences	251,901	4,950	-	14,301	-	271,152
As at 30 June 2021/1 July 2021	7,687,962	7,617,542	489,978	723,236	47,111	16,565,829
Additions	1,504,636	560,178	674,000	1,212,087	-	3,950,901
Lease payments	(2,535,604)	(3,358,927)	(430,407)	(751,987)	(10,329)	(7,087,254)
Interest expense	265,425	430,818	45,928	49,226	-	791,397
Derecognition upon early termination	(133,929)	-	-	-	-	(133,929)
Re-measurement	22,982	-	-	-	-	22,982
Foreign currency translation differences	(157,496)	(5,223)	-	(174,110)	(3,212)	(340,041)
As at 30 June 2022	6,653,976	5,244,388	779,499	1,058,452	33,570	13,769,885



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

9. LEASES (continued)

The Group as lessee (continued)

(b) Lease liabilities (continued)

	Buildings RM	Plant and machineries RM	Tools and equipment RM	Motor vehicles RM	Office equipment RM	Total RM
Carrying value						
As at 1 July 2022	6,653,976	5,244,388	779,499	1,058,452	33,570	13,769,885
Additions	949,771	3,205,417	308,000	628,698	-	5,091,886
Lease payments	(2,823,786)	(3,619,157)	(420,168)	(727,585)	(14,264)	(7,604,960)
Interest expense	244,023	447,440	45,765	67,267	-	804,495
Derecognition upon early termination	(253,225)	-	-	(26,502)	-	(279,727)
Re-measurement	112,552	-	-	-	-	112,552
Foreign currency translation differences	335,974	3,120	-	178,628	3,516	521,238
As at 30 June 2023	5,219,285	5,281,208	713,096	1,178,958	22,822	12,415,369



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES (continued)****The Group as lessee (continued)****(b) Lease liabilities (continued)**

Represented by:	2021 RM	2022 RM	2023 RM
Current liabilities	5,451,957	5,914,140	5,819,976
Non-current liabilities	11,113,872	7,855,745	6,595,393
	<u>16,565,829</u>	<u>13,769,885</u>	<u>12,415,369</u>
Lease liabilities owing to:			
Financial institutions	8,357,882	6,321,201	6,054,238
Non-financial institutions	8,207,947	7,448,684	6,361,131
	<u>16,565,829</u>	<u>13,769,885</u>	<u>12,415,369</u>

(c) The Group has certain leases of buildings, plant and machineries, motor vehicles and office equipment with lease term of 12 months or less, and low-value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" exemption for these leases.

(d) The following are the amounts recognised in profit or loss:

	2021 RM	2022 RM	2023 RM
Continuing operations:			
Depreciation charge of right-of-use assets			
- cost of sales	3,272,603	3,870,422	4,164,606
- administrative expenses	2,037,393	2,198,846	2,107,531
Interest expense on lease liabilities (included in finance costs)	914,482	791,397	804,495
Expenses relating to short-term leases (included in administrative expenses)	274,661	374,412	220,709
Expenses relating to short-term leases (included in cost of sales)	233,895	231,942	121,313
Expenses relating to low-value leases (included in administrative expenses)	7,670	7,318	11,857
Gain on derecognition upon early termination	(1,387)	(2,316)	(23,641)
Gain on lease reassessment	(21,550)	-	(28,927)
	<u>6,717,767</u>	<u>7,472,021</u>	<u>7,377,943</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES (continued)****The Group as lessee (continued)**

(d) The following are the amounts recognised in profit or loss: (continued)

	2021 RM	2022 RM	2023 RM
Discontinuing operations:			
Depreciation charge of right-of-use assets (included in administrative expenses)	103,222	-	-
Interest expense on lease liabilities (included in finance costs)	13,387	-	-
	<u>116,609</u>	<u>-</u>	<u>-</u>

(e) The following are total cash outflows for leases as a lessee:

	2021 RM	2022 RM	2023 RM
Included in net cash from operating activities:			
Payment relating to short-term leases	508,556	606,354	342,022
Payment relating to low-value leases	7,670	7,318	11,857
Included in net cash from investing activities:			
Purchase of right-of-use assets	-	-	75,503
Included in net cash from financing activities:			
Payment of lease liabilities	<u>6,456,660</u>	<u>7,087,254</u>	<u>7,604,960</u>
	<u>6,972,886</u>	<u>7,700,926</u>	<u>8,034,342</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**9. LEASES (continued)****The Group as lessor**

The Group has entered into non-cancellable lease agreements on certain properties for terms of two years and are renewable at the end of the lease period. The monthly rental consists of a fixed base rent.

	2021 RM	2022 RM	2023 RM
Carrying amount			
Less than one (1) year	283,241	480,000	306,207
One (1) to two (2) years	-	306,207	-
	<u>283,241</u>	<u>786,207</u>	<u>306,207</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS

	Goodwill RM	Development in progress RM	Technical know-how RM	Computer software RM	Total RM
Cost					
As at 1 July 2020	4,410,871	318,220	1,083,981	886,469	6,699,541
Additions	-	-	-	278,216	278,216
Reclassification	-	(318,220)	-	318,220	-
Foreign currency translation differences	-	-	-	8,866	8,866
As at 30 June 2021	4,410,871	-	1,083,981	1,491,771	6,986,623
Accumulated amortisation					
As at 1 July 2020	-	-	198,730	501,787	700,517
Amortisation charge for the financial year	-	-	108,398	189,309	297,707
Foreign currency translation differences	-	-	-	140	140
As at 30 June 2021	-	-	307,128	691,236	998,364
Carrying amount					
As at 30 June 2021	4,410,871	-	776,853	800,535	5,988,259



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS (continued)

	Goodwill RM	Technical know-how RM	Computer software RM	Total RM
Cost				
As at 1 July 2021	4,410,871	1,083,981	1,491,771	6,986,623
Foreign currency translation differences	-	-	(46,755)	(46,755)
As at 30 June 2022	4,410,871	1,083,981	1,445,016	6,939,868
Accumulated amortisation				
As at 1 July 2021	-	307,128	691,236	998,364
Amortisation charge for the financial year	-	108,398	284,851	393,249
Foreign currency translation differences	-	-	(16,602)	(16,602)
As at 30 June 2022	-	415,526	959,485	1,375,011
Carrying amount				
As at 30 June 2022	4,410,871	668,455	485,531	5,564,857



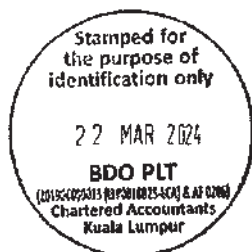
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS (continued)

	Goodwill RM	Technical know-how RM	Computer software RM	Total RM
Cost				
As at 1 July 2022	4,410,871	1,083,981	1,445,016	6,939,868
Additions	-	-	91,009	91,009
Foreign currency translation differences	-	-	62,659	62,659
	<u>4,410,871</u>	<u>1,083,981</u>	<u>1,598,684</u>	<u>7,093,536</u>
As at 30 June 2023				
Accumulated amortisation				
As at 1 July 2022	-	415,526	959,485	1,375,011
Amortisation charge for the financial year	-	108,398	286,688	395,086
Foreign currency translation differences	-	-	48,256	48,256
	<u>-</u>	<u>523,924</u>	<u>1,294,429</u>	<u>1,818,353</u>
As at 30 June 2023				
Carrying amount				
As at 30 June 2023	<u>4,410,871</u>	<u>560,057</u>	<u>304,255</u>	<u>5,275,183</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**10. INTANGIBLE ASSETS (continued)****(a) Goodwill from business combinations**

The carrying amounts of goodwill allocated to the Group's cash-generating-units ("CGUs") are as follows:

	2021 RM	2022 RM	2023 RM
Goodwill on consolidation			
Mega Fortris (HK) Limited	24,435	24,435	24,435
Mega Fortris Security Bags (Malaysia) Sdn. Bhd.	1,846,478	1,846,478	1,846,478
Mega Fortris Americas, Inc.	691,890	691,890	691,890
Fortrich Manufacturing (M) Sdn. Bhd.	1,477,435	1,477,435	1,477,435
Mega Fortris (UK) Limited	370,633	370,633	370,633
	4,410,871	4,410,871	4,410,871
Less: Impairment loss			
Mega Fortris (HK) Limited	-	-	-
Mega Fortris Security Bags (Malaysia) Sdn. Bhd.	-	-	-
Mega Fortris Americas, Inc.	-	-	-
Fortrich Manufacturing (M) Sdn. Bhd.	-	-	-
Mega Fortris (UK) Limited	-	-	-
	-	-	-
Carrying amount	<u>4,410,871</u>	<u>4,410,871</u>	<u>4,410,871</u>

The management carried out an annual review of recoverable amount of its goodwill each financial year. The recoverable amount is determined based on a value-in-use calculation using cash flows projection based on financial budgets approved by the management covering a five-year period and projected to terminal year.

The key assumptions used in the value-in-use calculations are as follows:

- (i) The anticipated average annual revenue growth rates used in the cash flow projections of the subsidiaries ranged from 16% to 23% (2022: 18% to 46%, 2021: 21% to 36%) per annum.
- (ii) Pre-tax discount rates ranged from 10.41% to 11.63% per annum (2022: 11.06% to 12.06% per annum) were applied over the projection periods in determining the recoverable amount of the subsidiaries. The discount rates used reflect the current market assessment of the risks specific to the subsidiaries.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**10. INTANGIBLE ASSETS (continued)****(a) Goodwill from business combinations (continued)**

Based on these annual impairment testing undertaken by the Group, the Directors are of the view that no impairment loss was required as at 30 June 2023 as the recoverable amounts determined was higher than the carrying amounts of goodwill.

Sensitivity to changes in assumptions

The management is not aware of any reasonably possible changes in the assumptions above that could cause any impairment loss on goodwill.

11. OTHER INVESTMENTS

	2021 RM	2022 RM	2023 RM
Non-current			
At cost			
Equity securities (unquoted shares)	835,337	831,028	-

Other investments comprised of unquoted shares representing 100%, 51%, 57.5%, 100% and 100% equity interest in Mega Security Devices (M) Sdn. Bhd., PT. Mega Fortris Indonesia, Shaoxing Mega Fortris Seals Co. Ltd. and Mega Fortris Software Solutions Sdn. Bhd. and Mega Fortris Iberica, S.L respectively which were acquired for a total cash consideration of RM835,337.

The financial position, profit or loss and other comprehensive income and cash flows of the abovementioned subsidiaries had been carved out from the combined financial statements because by 30 June 2023, the Group had either liquidated or disposed of its entire equity interest of the abovementioned subsidiaries for the purposes of the Proposed Listing analysed as follows:

- During the financial year 2021, the Group had disposed of its entire equity interest comprising 2,550 ordinary shares in Mega Security Devices (M) Sdn. Bhd. for total cash consideration of RM2,550. The Group also acquired 100% equity interest comprising 3,000 ordinary shares in Mega Fortris Iberica, S.L for total consideration of RM14,681.
- During the financial year 2022, the Group had disposed of its 30% equity interest comprising 900 ordinary shares in Mega Fortris Iberica, S.L for total cash consideration of RM4,309.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**11. OTHER INVESTMENTS (continued)**

(c) During the financial year 2023:

- (i) The liquidation of a subsidiary, Shaoxing Mega Fortris Seals Co. Ltd., has been finalised and the distribution, net of tax received by the Group during the financial year amounting to RM2,124,136, consisting of liquidating dividend net of withholding tax of RM1,594,338 and cost of investment of RM529,798.
- (ii) The Group disposed its entire equity interest comprising 100,000 shares in Mega Fortris Software Solutions Sdn. Bhd., for total cash consideration of RM100,000.
- (iii) The Group disposed its entire equity interest comprising 63,750 ordinary shares in its subsidiary, PT. Mega Fortris Indonesia for total cash consideration of RM172,000.
- (iv) The Group disposed of its entire 70% equity interest comprising 2,100 ordinary shares in Mega Fortris Iberica, S.L ('MFIB') for total cash consideration of RM7.

The Directors are of the view that the carve out effects of the abovementioned subsidiaries are insignificant to the combined financial statements other than Shaoxing Mega Fortris Seals Co. Ltd. which incurred loss after tax of RM3,108,519 for financial year ended 30 June 2022 and generated profits after tax of RM557,826 and RM726,139 for financial years ended 30 June 2021 and 30 June 2023 respectively.

12. TRADE AND OTHER RECEIVABLES

	2021 RM	2022 RM	2023 RM
Non-current receivables:			
Trade receivables			
Third parties	-	149,005	-
Less: Impairment losses	-	(3,671)	-
	-	145,334	-
Other receivables			
Third parties	3,141,725	3,890,282	11,992,783
Lease receivables	29,642	-	-
	3,171,367	3,890,282	11,992,783
Less: Impairment losses			
- third parties	(202,350)	(212,597)	(1,643,357)
	2,969,017	3,677,685	10,349,426
Prepayment	1,350,245	1,433,055	1,356,550
Total non-current receivables	4,319,262	5,256,074	11,705,976



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

	2021 RM	2022 RM	2023 RM
Total non-current receivables (continued)	4,319,262	5,256,074	11,705,976
Current receivables:			
Trade receivables			
Third parties	34,880,219	42,700,895	34,094,275
Amount due from a related party	14,224	34,770	18,745
	34,894,443	42,735,665	34,113,020
Less: Impairment losses			
- third parties	(4,781,850)	(3,891,794)	(1,379,507)
	30,112,593	38,843,871	32,733,513
Other receivables			
Third parties	8,312,251	4,348,443	3,704,892
Amount due from ultimate holding company	-	42	46
Amount due from immediate holding company	2,505,163	1,543,954	-
Amounts due from related companies	-	39	-
Deposits	515,128	537,587	2,507,325
Lease receivables	116,206	-	-
	11,448,748	6,430,065	6,212,263
Less: Impairment losses			
- third parties	(2,599,728)	(2,416,561)	(158,067)
- amount due from ultimate holding company	-	(2)	(2)
- amount due from immediate holding company	(146,918)	(80,332)	-
- amounts due from related companies	-	(2)	-
- deposits	(42,025)	(40,440)	(3,552)
	(2,788,671)	(2,537,337)	(161,621)
	8,660,077	3,892,728	6,050,642
Total current receivables	38,772,670	42,736,599	38,784,155
Prepayments	2,518,109	2,397,409	3,527,947
Total trade and other receivables (current)	41,290,779	45,134,008	42,312,102
Total trade and other receivables (non-current and current)	45,610,041	50,390,082	54,018,078



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

- (a) Trade receivables are non-interest bearing and the normal credit terms of the Group ranged from 30 to 120 days (2022: 30 to 120 days, 2021: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) The current non-trade amounts due from ultimate holding company, immediate holding company and related companies represent advances and payments on behalf, which are unsecured, interest-free and receivable within the next twelve (12) months in cash and cash equivalents.
- (c) Included in other receivables from third parties are amounts owing from former subsidiaries as follows:

	2021 RM	2022 RM	2023 RM
Amounts owing from former subsidiaries, net of impairment			
Non-current	2,939,375	3,677,685	10,349,426
Current	2,495,392	5,074,702	1,813,070
	<u>5,434,767</u>	<u>8,752,387</u>	<u>12,162,496</u>

These amounts arose from arrangements between the Group with the respective present shareholders of these former subsidiaries as part of the contractual terms in the disposal of these subsidiaries in the financial year ended 30 June 2023, whereby the repayment terms of the amounts owing from former subsidiaries are revised from payable within twelve months to payable over five year period. These amounts are unsecured and interest-free.

- (d) The reconciliation of movements in the impairment losses on trade receivables is as follows:

	Lifetime ECL Allowance RM	Credit impaired RM	Total allowance RM
As at 1 July 2020	3,296,654	2,100,954	5,397,608
Charge for the financial year	1,138,507	646,960	1,785,467
Reversal of impairment losses	(2,123,446)	(324,659)	(2,448,105)
Reclassification	-	124,976	124,976
Exchange difference	(51,069)	(27,027)	(78,096)
As at 30 June 2021	<u>2,260,646</u>	<u>2,521,204</u>	<u>4,781,850</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

- (d) The reconciliation of movements in the impairment losses on trade receivables is as follows: (continued)

	Lifetime ECL Allowance RM	Credit impaired RM	Total allowance RM
As at 1 July 2021	2,260,646	2,521,204	4,781,850
Charge for the financial year	154,393	1,294,739	1,449,132
Reversal of impairment losses	(1,611,505)	(646,214)	(2,257,719)
Exchange difference	(45,402)	(32,396)	(77,798)
As at 30 June 2022	758,132	3,137,333	3,895,465
As at 1 July 2022	758,132	3,137,333	3,895,465
Charge for the financial year	732,994	3,367	736,361
Reversal of impairment losses	(271,282)	(495,211)	(766,493)
Written off	-	(1,085,690)	(1,085,690)
Transfer to credit impaired	(1,083,759)	1,083,759	-
Reclassification	-	(1,641,355)	(1,641,355)
Exchange difference	29,472	211,747	241,219
As at 30 June 2023	165,557	1,213,950	1,379,507

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

- (e) The reconciliation of movements in the impairment losses on other receivables, amount due from ultimate holding company, amount due from immediate holding company and amounts due from related companies is as follows:

	Lifetime ECL Allowance RM	Credit impaired RM	Total allowance RM
At 1 July 2020	1,811,861	3,021,808	4,833,669
Charge for the financial year	44,640	-	44,640
Reversal of impairment losses	(1,163,631)	(723,667)	(1,887,298)
Exchange difference	10	-	10
At 30 June 2021	692,880	2,298,141	2,991,021



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

- (e) The reconciliation of movements in the impairment losses on other receivables, amount due from ultimate holding company, amount due from immediate holding company and amounts due from related companies is as follows: (continued)

	Lifetime ECL Allowance RM	Credit impaired RM	Total allowance RM
At 1 July 2021	692,880	2,298,141	2,991,021
Charge for the financial year	36,741	-	36,741
Reversal of impairment losses	(277,826)	-	(277,826)
Exchange difference	(2)	-	(2)
At 30 June 2022	451,793	2,298,141	2,749,934
At 1 July 2022	451,793	2,298,141	2,749,934
Charge for the financial year	44,927	-	44,927
Reversal of impairment losses	(319,717)	(1,634,999)	(1,954,716)
Written off	(13,373)	(663,142)	(676,515)
Reclassification	-	1,641,355	1,641,355
Exchange difference	(7)	-	(7)
At 30 June 2023	163,623	1,641,355	1,804,978

- (f) During the financial year, the Group renegotiated the terms of one of its trade receivables and certain advances to former subsidiaries of the Group, which led to changes in the timing of the payments. The impact arising from the renegotiation is negligible to the Group.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

(g) The ageing analysis of trade receivables of the Group are as follows:

	Gross Carrying Amount RM	Total allowance RM	Balance as at 30.6.2021 RM
2021			
Current (not past due)	16,876,189	(1,016,695)	15,859,494
Past due:			
1 to 30 days	8,861,147	(648,842)	8,212,305
31 to 60 days	3,295,403	(410,907)	2,884,496
61 to 90 days	1,397,467	(184,202)	1,213,265
	<u>13,554,017</u>	<u>(1,243,951)</u>	<u>12,310,066</u>
	30,430,206	(2,260,646)	28,169,560
Credit-impaired:			
More than 90 days	3,014,425	(1,071,392)	1,943,033
Individually impaired	1,449,812	(1,449,812)	-
	<u>4,464,237</u>	<u>(2,521,204)</u>	<u>1,943,033</u>
	<u>34,894,443</u>	<u>(4,781,850)</u>	<u>30,112,593</u>
2022			
Current (not past due)	17,980,429	(85,838)	17,894,591
Past due:			
1 to 30 days	9,436,975	(5,535)	9,431,440
31 to 60 days	1,753,472	(81,429)	1,672,043
61 to 90 days	3,833,834	(585,330)	3,248,504
	<u>15,024,281</u>	<u>(672,294)</u>	<u>14,351,987</u>
	33,004,710	(758,132)	32,246,578
Credit-impaired:			
More than 90 days	8,424,084	(1,681,457)	6,742,627
Individually impaired	1,455,876	(1,455,876)	-
	<u>9,879,960</u>	<u>(3,137,333)</u>	<u>6,742,627</u>
	<u>42,884,670</u>	<u>(3,895,465)</u>	<u>38,989,205</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

(g) The ageing analysis of trade receivables of the Group are as follows: (continued)

2023	Gross carrying amount RM	Total allowance RM	Balance as at 30.6.2023 RM
Current (not past due)	20,968,738	(42,049)	20,926,689
Past due:			
1 to 30 days	7,433,048	(17,062)	7,415,986
31 to 60 days	2,274,716	(41,313)	2,233,403
61 to 90 days	505,876	(65,133)	440,743
	<u>10,213,640</u>	<u>(123,508)</u>	<u>10,090,132</u>
	31,182,378	(165,557)	31,016,821
Credit-impaired:			
More than 90 days	2,882,642	(1,165,950)	1,716,692
Individually impaired	48,000	(48,000)	-
	<u>2,930,642</u>	<u>(1,213,950)</u>	<u>1,716,692</u>
	<u><u>34,113,020</u></u>	<u><u>(1,379,507)</u></u>	<u><u>32,733,513</u></u>

(h) Movement of lease receivables is as follows:

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	257,008	145,848	-
Interest income	6,682	1,114	-
Lease payments received	(119,225)	(29,806)	-
Derecognition upon early termination	-	(120,185)	-
Foreign currency translation differences	1,383	3,029	-
As at end of financial year	<u>145,848</u>	<u>-</u>	<u>-</u>

(i) No expected credit losses were recognised arising from the lease receivables because the probability of default by these lease receivables were negligible.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**12. TRADE AND OTHER RECEIVABLES (continued)**

- (j) The maturity profile of lease receivables at the end of each reporting period is summarised as follows:

	2021 RM	2022 RM	2023 RM
Present value of finance lease:			
Non-current	29,642	-	-
Current	116,206	-	-
	<u>145,848</u>	<u>-</u>	<u>-</u>
Maturity:			
Within one year	119,225	-	-
One to two years	29,803	-	-
	<u>149,028</u>	<u>-</u>	<u>-</u>
Total undiscounted lease payments	149,028	-	-
Less: Unearned interest income	<u>(3,180)</u>	<u>-</u>	<u>-</u>
	<u>145,848</u>	<u>-</u>	<u>-</u>

- (k) Information on financial risks of trade and other receivables is disclosed in Note 31 to the financial statements.

13. DEFERRED TAX ASSETS/(LIABILITIES)

The deferred tax assets and liabilities are made up of the following:

	Note	2021 RM	2022 RM	2023 RM
As at beginning of financial year		220,363	(691,091)	(292,250)
Recognised in profit or loss:				
- continuing operations	24	(903,241)	373,083	314,135
Recognised in other comprehensive income ("OCI"):				
- continuing operations	17	-	-	(2,746,287)
Foreign currency translation reserve		<u>(8,213)</u>	<u>25,758</u>	<u>(18,542)</u>
As at end of financial year		<u>(691,091)</u>	<u>(292,250)</u>	<u>(2,742,944)</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets		253,726	374,925	401,458
Deferred tax liabilities		<u>(944,817)</u>	<u>(667,175)</u>	<u>(3,144,402)</u>
		<u>(691,091)</u>	<u>(292,250)</u>	<u>(2,742,944)</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**13. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

- (a) The movement of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows:

Deferred tax assets

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	887,734	253,726	374,925
Recognised in profit or loss:			
Temporary differences on the excess of capital allowances over the corresponding depreciation	(524,533)	(300,706)	247,833
Unabsorbed reinvestment allowances	-	254,355	(254,355)
Other temporary differences	(116,566)	171,762	29,541
	(641,099)	125,411	23,019
Foreign currency translation:			
Other temporary differences	7,091	(4,212)	3,514
	7,091	(4,212)	3,514
As at end of financial year	253,726	374,925	401,458

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**13. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

- (a) The movement of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows: (continued)

Deferred tax liabilities

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	667,371	944,817	667,175
Recognised in profit or loss:			
Temporary differences on the excess of capital allowances over the corresponding depreciation	107,857	(663,500)	(225,818)
Unabsorbed reinvestment allowances	178,596	454,433	-
Other temporary differences	(24,311)	(38,605)	(65,298)
	262,142	(247,672)	(291,116)
Recognised in other comprehensive income ("OCI"):			
Revaluation of freehold land and buildings (Note 18)	-	-	2,746,287
	-	-	2,746,287
Foreign currency translation:			
Temporary differences on the excess of capital allowances over the corresponding depreciation	15,304	(29,970)	22,056
	15,304	(29,970)	22,056
As at end of financial year	944,817	667,175	3,144,402



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**13. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

- (b) The components of deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets

	2021 RM	2022 RM	2023 RM
Temporary differences on the excess of capital allowances over the corresponding depreciation	6,476	(294,229)	(46,396)
Unabsorbed reinvestment allowances available for set off against future taxable profits	-	254,355	-
Other temporary differences	247,250	414,799	447,854
	<u>253,726</u>	<u>374,925</u>	<u>401,458</u>

Deferred tax liabilities

	2021 RM	2022 RM	2023 RM
Temporary differences on the excess of capital allowances over the corresponding depreciation	1,099,455	405,985	202,223
Unabsorbed reinvestment allowances available for set off against future taxable profits	(454,433)	-	-
Revaluation of freehold land and buildings	-	-	2,746,287
Other temporary differences	299,795	261,190	195,892
	<u>944,817</u>	<u>667,175</u>	<u>3,144,402</u>

- (c) The amount of temporary difference for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	2021 RM	2022 RM	2023 RM
Unabsorbed capital allowances	428,369	603,556	2,089,766
Unused tax losses			
- Expires by 30 June 2031	137,103	137,103	137,103
Other temporary differences	153,875	(2,535)	(2,483)
	<u>719,347</u>	<u>738,124</u>	<u>2,224,386</u>



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(c) (continued)

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that future taxable profit of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

14. INVENTORIES

	2021 RM	2022 RM	2023 RM
At cost			
Raw materials	7,428,712	9,918,843	8,027,757
Packing materials	169,430	193,750	116,735
Trading goods	80,583	243,750	254,769
Work-in-progress	2,353,360	3,857,003	3,527,705
Finished goods	19,466,331	21,182,200	20,728,904
	<u>29,498,416</u>	<u>35,395,546</u>	<u>32,655,870</u>

During the financial year, inventories of the Group recognised as cost of sales amounted to RM89,597,461 (2022: RM89,272,464, 2021: RM78,170,789).

15. CONTRACT ASSETS/(LIABILITIES)

	2021 RM	2022 RM	2023 RM
Contract assets			
Project	84,860	42,430	-
Less: Impairment loss	(4,243)	(3,175)	-
	<u>80,617</u>	<u>39,255</u>	<u>-</u>
Contract liabilities			
Deferred income	<u>(171,539)</u>	<u>(371,622)</u>	<u>(298,542)</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**15. CONTRACT ASSETS/(LIABILITIES) (continued)****(a) Contract assets**

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	220,056	80,617	39,255
Add: Revenue recognised during the financial year	-	-	-
Add: Reversal of impairment loss	31,580	1,068	3,175
	<u>251,636</u>	<u>81,685</u>	<u>42,430</u>
Less: Progress billings	(171,019)	(42,430)	(42,430)
As at end of financial year	<u>80,617</u>	<u>39,255</u>	<u>-</u>

(b) Contract liabilities

	2021 RM	2022 RM	2023 RM
As at beginning of financial year	(435,056)	(171,539)	(371,622)
Additions during the financial year	(136,865)	(511,847)	(309,636)
Revenue recognised during the financial year	400,382	311,764	382,716
As at end of financial year	<u>(171,539)</u>	<u>(371,622)</u>	<u>(298,542)</u>

(c) The reconciliation of movement in allowance for impairment account on contract assets is as follows:

	2021 RM	2022 RM	2023 RM
Lifetime ECL allowance			
As at beginning of financial year	35,823	4,243	3,175
Reversal of impairment loss	(31,580)	(1,068)	(3,175)
As at end of financial year	<u>4,243</u>	<u>3,175</u>	<u>-</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**16. CASH AND CASH EQUIVALENTS**

	Note	2021 RM	2022 RM	2023 RM
Cash and bank balances as reported in statements of financial position		12,762,857	18,184,987	26,591,402
Bank overdrafts	20	<u>(2,596,866)</u>	<u>(4,747,733)</u>	<u>(4,158,877)</u>
		10,165,991	13,437,254	22,432,525
Cash and cash equivalents included in disposal group held for sale	35	<u>827,799</u>	<u>770,906</u>	<u>705,478</u>
Cash and cash equivalents as reported in statements of cash flows		<u>10,993,790</u>	<u>14,208,160</u>	<u>23,138,003</u>

- (a) No expected credit losses were recognised arising from the cash at banks because the probability of default by these financial institutions were negligible.
- (b) Information on financial risks of cash and cash equivalents are disclosed in Note 31 to the financial statements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

17. SHARE CAPITAL

	2021		2022		2023	
	Number of shares	RM	Number of shares	RM	Number of shares	RM
Ordinary shares						
Issued and fully paid						
Balance as at 30 June	34,854,974	34,854,974	34,854,974	34,854,974	34,854,974	34,854,974

- (a) The owner of the Company is entitled to receive dividends as and when declared by the Company and is entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (b) Although the actual acquisition of the combining entities took place on 30 June 2023, the effect of the issuance of ordinary shares by the Company to MFGPL pursuant to the acquisition of the combining entities had been effected on 1 July 2020. Reconciliation of the aggregate of the share capital of the Company and the Other Combining Entities, namely MFEU Group, MFA, MFAUS and MFNZ before and after the acquisition of the Other Combining Entities is as follows:

	Company RM	MFNZ RM	MFAUS RM	MFA RM	MFEU RM	Total RM
Balance as at 1 July 2020 (pre-acquisition)	1,143,000	149,149	254	32,140	53,750	1,378,293
Elimination upon acquisition of the Other Combining Entities	-	(149,149)	(254)	(32,140)	(53,750)	(235,293)
Issuance pursuant to acquisition of the Other Combining Entities	33,711,974	-	-	-	-	33,711,974
Balance as at 1 July 2020 (post-acquisition)	34,854,974	-	-	-	-	34,854,974



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**18. RESERVES**

	Note	2021 RM	2022 RM	2023 RM
Non-distributable				
Foreign currency translation reserve	(a)	5,720,346	6,167,686	9,847,410
Merger reserve	(b)	(29,950,024)	(29,950,024)	(29,950,024)
Revaluation reserve	(c)	-	-	15,988,241
Distributable				
Retained earnings		<u>60,654,825</u>	<u>63,521,124</u>	<u>74,409,313</u>
		<u>36,425,147</u>	<u>39,738,786</u>	<u>70,294,940</u>

- (a) The foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in the functional currencies of the foreign operations.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**18. RESERVES (continued)**

- (b) Merger reserve represents the excess of the consideration paid over the share capital of the subsidiaries as at the acquisition date, pre-acquisition retained earnings and any goodwill acquired under the pooling of interest method of accounting as follows:

	MFNZ RM	MFAUS RM	MFA RM	MFEU RM	Total RM
Equity instruments issued (33,711,974 ordinary shares of the Company)	1,367,715	2,045,445	15,762,593	14,536,221	33,711,974
Less:					
Share capital as at acquisition date	(149,149)	(254)	(32,140)	(53,750)	(235,293)
Pre-acquisition retained earnings [#]	(272,603)	(1,284,312)	(1,277,852)	-	(2,834,767)
Goodwill [*]	-	-	(691,890)	-	(691,890)
Merger reserve	<u>945,963</u>	<u>760,879</u>	<u>13,760,711</u>	<u>14,482,471</u>	<u>29,950,024</u>

[#] Pre-acquisition retained earnings arising from acquisition of the subsidiaries from third parties in the previous financial year

^{*} Reinstatement of goodwill in the Group's investments in MFA which was previously derecognised upon disposal to the holding company in the previous financial year



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- (c) Revaluation reserve represents net of tax surplus from revaluation of freehold land and buildings included under property, plant and equipment. The movements of the Group's revaluation reserve during the financial years are as follows:

	Note	2021 RM	2022 RM	2023 RM
Revaluation of freehold land and buildings				
As at beginning of financial year		-	-	-
Revaluation surplus during the financial year	8	-	-	18,734,528
Deferred tax effect on current financial year revaluation surplus	13	-	-	(2,746,287)
As at end of financial year		-	-	15,988,241

19. TRADE AND OTHER PAYABLES

	2021 RM	2022 RM	2023 RM
Non-current payables:			
Other payables			
Third parties, representing total non-current payables	640,565	717,454	705,643
Current payables:			
Trade payables			
Third parties	15,894,915	11,275,085	7,394,355
Amounts due to related parties	47,840	9,614	-
	15,942,755	11,284,699	7,394,355
Other payables			
Third parties	5,429,272	6,164,448	5,307,900
Amount due to immediate holding company	350,887	764,087	-
Amount due to a related party	45,000	45,000	-
Amounts due to Directors	1,303,834	1,303,834	1,303,794
Amounts due to minority shareholders of the subsidiaries	245,551	287,267	474,345
Accruals	3,308,573	5,173,288	4,004,721
Refundable deposits	92,500	100,000	107,934
	10,775,617	13,837,924	11,198,694
Total current payables	26,718,372	25,122,623	18,593,049
Total trade and other payables (non-current and current)	27,358,937	25,840,077	19,298,692



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**19. TRADE AND OTHER PAYABLES (continued)**

- (a) Trade payables are non-interest bearing and normal credit terms of the Group ranged from 0 to 90 days (2022: 0 to 90 days, 2021: 0 to 90 days) from date of invoice.
- (b) Non-trade amounts due to immediate holding company, a related party and Directors are unsecured, interest-free and payable within the next twelve months in cash and cash equivalents.
- (c) Information on financial risks of trade and other payables is disclosed in Note 31 to the financial statements.

20. BORROWINGS

	Note	2021 RM	2022 RM	2023 RM
Non-current liabilities				
Secured:				
Term loans	20	<u>11,866,699</u>	<u>16,871,288</u>	<u>17,721,806</u>
Current liabilities				
Secured:				
Bankers' acceptances		14,659,000	-	-
Invoice financing		-	20,086,335	19,244,074
Revolving credits		10,000,000	10,000,000	10,000,000
Term loans	21	1,718,190	1,796,426	894,717
Bank overdrafts	16	<u>2,596,866</u>	<u>4,747,733</u>	<u>4,158,877</u>
		<u>28,974,056</u>	<u>36,630,494</u>	<u>34,297,668</u>
Total borrowings				
Secured:				
Bankers' acceptances		14,659,000	-	-
Invoice financing		-	20,086,335	19,244,074
Revolving credits		10,000,000	10,000,000	10,000,000
Term loans	20	13,584,889	18,667,714	18,616,523
Bank overdrafts		<u>2,596,866</u>	<u>4,747,733</u>	<u>4,158,877</u>
		<u>40,840,755</u>	<u>53,501,782</u>	<u>52,019,474</u>

- (a) The secured bankers' acceptance, invoice financing, revolving credits, term loans and bank overdrafts are secured by:
- (i) First party legal charge over property comprising a piece of industrial land with a 3-storey office annexed with a 1 ½-storey warehouse and ancillary building held under GRN 104308, Lot 69297, Mukim Klang, Daerah Klang bearing postal address No.29, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor as disclosed in Note 8 to the financial statements;



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**20. BORROWINGS (continued)**

- (a) (continued)
- (ii) First party legal charge over single storey warehouse cum 2 storey office held under H.S.(D) 102312, PT 111841, Mukim Klang, Daerah Klang, bearing postal address No. 25 & 27, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor registered in the name of the Company;
 - (iii) A fixed and floating charge over all the assets, properties, and undertakings (both movable and immovable, present and future) of a subsidiary as disclosed in Note 8 to the financial statements;
 - (iv) A legal charge over the property, plant and equipment of a subsidiary as disclosed in Note 8 to the financial statements;
 - (v) Joint and several guarantees by certain Directors of the Company; and
 - (vi) Corporate guarantee by immediate holding company.
- (b) In the financial year ended 30 June 2021, the secured bankers' acceptances, revolving credits and bank overdrafts were secured by:
- (i) First legal charge over property comprising a piece of industrial land with a 3-storey office annexed with a 1 ½-storey warehouse and ancillary building held under GRN 104308, Lot 69297, Mukim Klang, Daerah Klang bearing postal address No.29, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor as disclosed in Note 8 to the financial statements;
 - (ii) A fixed and floating charge over all the assets, properties, and undertakings (both movable and immovable, present and future) of a subsidiary as disclosed in Note 8 to the financial statements;
 - (iii) A legal charge over the property, plant and equipment of a subsidiary as disclosed in Note 8 to the financial statements; and
 - (iv) Joint and several guarantees by certain Directors of the Company.
- (c) In the financial year ended 30 June 2021, revolving credits of RM6 million and term loans were secured by a fixed charge over single storey warehouse cum 2 storey office held under H.S.(D) 102312, PT 111841, Mukim Klang, Daerah Klang, bearing postal address No. 25 & 27, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor registered in the name of the Company.
- (d) Information on financial risks of borrowings is disclosed in Note 31 to financial statements.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**21. TERM LOANS (SECURED)**

	2021 RM	2022 RM	2023 RM
Repayable as follows:			
Current liabilities (Note 20)	1,718,190	1,796,426	894,717
Non-current liabilities (Note 20)	11,866,699	16,871,288	17,721,806
	<u>13,584,889</u>	<u>18,667,714</u>	<u>18,616,523</u>

- (a) The term loans are repayable by:
- (i) Yearly instalments of USD415,298 (2022: USD415,296, 2021: RM1,158,120) and mature on December 2026 (2022: December 2026, 2021: December 2034);
 - (ii) Yearly instalments of EUR50,832 (2022: EUR50,832, 2021: EUR50,832) and mature on December 2028 (2022: December 2028, 2021: December 2030);
 - (iii) Monthly instalments of EUR853 (2022: EUR853, 2021: EUR Nil) and mature on March 2024 (2022: March 2024, 2021: Nil);
 - (iv) Monthly instalments of EUR895 and matured on April 2023; and
 - (v) Monthly instalments of GBP812 and matured on December 2022.
- (b) In the financial year ended 30 June 2021, Mega Fortris Americas, Inc. "the subsidiary" obtained a loan of USD158,600 under the Paycheck Protection Program (the "Program"), which was administered by the Small Business Administration (the "SBA"). Under the Program, the subsidiary might request the forgiveness of the loan based on the use of the loan proceeds for eligible expenses (as defined in the Program) during the eight-week period following the receipt of the loan proceeds. The portion of the loan not forgiven, if any, would be required to be repaid at an interest rate of 1% per annum and would mature in May 2022. Monthly payments of principal and interest were required, however, the first payment under the loan was deferred until December 2020, with interest continuing to accrue on the loan from May 2020. Prepayment of the loan would not be subject to penalties. In the previous financial year, the entire amount of RM671,354 (equivalent to USD158,600) of loan principal plus accrued interest of the payback protection program was forgiven by the subsidiary's lender and recognised as other income as disclosed in Note 22 to the financial statements.
- (c) Information on financial risks of term loans is disclosed in Note 31 to the financial statements.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**22. REVENUE**

	2021 RM	2022 RM	2023 RM
Revenue from contracts with customers	<u>135,098,276</u>	<u>155,210,680</u>	<u>161,303,217</u>
Timing of revenue recognition			
Transferred at a point in time	134,669,095	154,898,916	160,779,207
Transferred over time	<u>429,181</u>	<u>311,764</u>	<u>524,010</u>
	<u>135,098,276</u>	<u>155,210,680</u>	<u>161,303,217</u>

Disaggregation of revenue from contracts with customers by business activities and products and country of operations are presented in Note 7 to the financial statements.

23. FINANCE COSTS

	2021 RM	2022 RM	2023 RM
Interest expenses:			
- bankers' acceptances	537,984	516,391	-
- invoice financing	-	-	1,181,687
- lease liabilities	914,482	791,397	804,495
- bank overdrafts	9,759	103,587	183,739
- term loans	411,608	519,551	999,408
- revolving credits	459,079	325,402	515,731
- others	<u>59,186</u>	<u>40,153</u>	<u>74,876</u>
	<u>2,392,098</u>	<u>2,296,481</u>	<u>3,759,936</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**24. PROFIT BEFORE TAXATION**

Other than those disclosed elsewhere in the financial statements, profit before taxation for continuing operations is arrived at:

	2021 RM	2022 RM	2023 RM
After charging:			
Auditors' remuneration:			
- current year	331,199	315,927	473,063
- under provision in prior years	68,666	193,101	97,210
Bad debts written off:			
- trade receivables	40,039	15,804	49,714
- other receivables	-	-	209,505
Loss on foreign exchange:			
- realised	1,604,521	2,352,660	-
- unrealised	-	-	69,600
Loss on disposal of other investments	-	-	29,230
Net loss on disposal of property, plant and equipment	81,138	-	-
Property, plant and equipment written off	17,600	7,010	3,516
And crediting:			
Gain on foreign exchange:			
- realised	-	-	(385,007)
- unrealised	(55,700)	(649,841)	-
Interest income on:			
- lease receivables	(6,682)	(1,114)	-
- others	(9,827)	(28,460)	(196,762)
Rental income from:			
- office premises	(585,157)	(664,656)	(769,466)
- machinery	-	-	(6,354)
Dividend income	-	-	(1,771,377)
Management fees	(162,000)	(139,500)	(120,000)
Net gain on disposal of property, plant and equipment	-	(478)	(6,276)
Waiver of debts	(60,503)	-	-
Waiver of term loan	-	(671,354)	-



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**25. TAXATION**

	2021 RM	2022 RM	2023 RM
Continuing operations:			
Malaysian income tax:			
Current year	140,455	233,886	1,113,699
(Over)/Under provision in prior years	(432,829)	(14,338)	18,368
	(292,374)	219,548	1,132,067
Foreign income tax:			
Current year	1,843,367	1,740,195	3,006,443
Over provision in prior years	(3,151)	(26,330)	-
	1,840,216	1,713,865	3,006,443
Deferred tax (Note 13):			
Current year	323,684	509,970	202,358
Under/(Over) provision in prior years	579,557	(883,053)	(516,493)
	903,241	(373,083)	(314,135)
	<u>2,451,083</u>	<u>1,560,330</u>	<u>3,824,375</u>
Discontinuing operations:			
Foreign income tax	-	-	-
(a) Malaysian income tax is calculated at the statutory rate of 24% (2022: 24%, 2021: 24%) of the estimated taxable profit for the fiscal year.			
(b) Tax expense for other authorities is calculated at the rates prevailing in those respective jurisdictions.			



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**25. TAXATION (continued)**

- (c) The numerical reconciliation between the tax expense in the statements of profit or loss and other comprehensive income and income tax expense applicable to profit before taxation at the statutory income tax rates of the Group is as follows:

	2021 RM	2022 RM	2023 RM
Profit from continuing operations before taxation	7,006,704	8,532,447	19,725,402
Tax at the applicable statutory rates of 24% (2022: 24%, 2021: 24%)	1,681,609	2,047,787	4,734,096
Tax effect of income not subject to tax	(1,043,962)	(772,037)	(1,489,618)
Tax effect of expenses not deductible for tax purposes	1,030,703	935,086	357,908
Deferred tax assets not recognised	66,388	22,038	366,901
Difference in tax rates in other countries	594,103	291,267	168,943
Utilisation of previously unrecognised deferred tax assets	-	(17,532)	(10,198)
Withholding tax	3,357	9,109	186,888
(Over)/Under provision in prior years:			
- Malaysian income tax	(432,829)	(14,338)	18,368
- Foreign income tax	(3,151)	(26,330)	-
- Deferred tax	579,557	(883,053)	(516,493)
Others	(24,692)	(31,667)	7,580
Tax expense	2,451,083	1,560,330	3,824,375

- (d) Tax on each component of other comprehensive income is as follows:

	Before tax RM	Tax effect RM	After tax RM
2021			
Currency translation differences	(349,040)	(8,213)	(357,253)
2022			
Currency translation differences	453,745	25,758	479,503
2023			
Currency translation differences	4,397,408	(18,542)	4,378,866
Revaluation of freehold land and buildings (Note 16(e))	18,734,528	(2,746,287)	15,988,241
	23,131,936	(2,764,829)	20,367,107



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**26. EARNINGS PER SHARE****(a) Basic earnings per ordinary share**

	2021	2022	2023
Profit for the financial year attributable to equity holder of the Company (RM)	<u>5,986,101</u>	<u>4,393,201</u>	<u>12,499,699</u>
Weighted average number of ordinary shares outstanding	<u>34,854,974</u>	<u>34,854,974</u>	<u>34,854,974</u>
Basic earnings per ordinary share (sen)	<u>17</u>	<u>13</u>	<u>36</u>

(b) Diluted earnings per ordinary share

The diluted earnings per ordinary share equal the basic earnings per ordinary share as there were no dilutive potential ordinary shares throughout the relevant reporting periods.

27. EMPLOYEE BENEFITS

	2021 RM	2022 RM	2023 RM
Continuing operations:			
Salaries, wages, bonuses and allowances	33,028,536	35,273,064	36,508,921
Defined contribution plan	1,749,781	1,959,535	1,970,089
Social security contribution	1,304,944	1,316,677	1,325,375
Other employee benefits	<u>4,406,534</u>	<u>4,027,592</u>	<u>4,425,049</u>
	<u>40,489,795</u>	<u>42,576,868</u>	<u>44,229,434</u>
Discontinuing operations:			
Salaries, wages, bonuses and allowances	452,886	-	-
Defined contribution plan	7,922	-	-
Social security contribution	2,782	-	-
Other employee benefits	<u>1,460</u>	<u>-</u>	<u>-</u>
	<u>465,050</u>	<u>-</u>	<u>-</u>

Included in the employee benefits of the Group are Directors' remuneration amounting to RM8,500,371 (2022: RM8,239,131, 2021: RM8,495,676).



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**28. DIRECTORS' REMUNERATION**

The remuneration of the Directors recognised in profit or loss are as follows:

	2021 RM	2022 RM	2023 RM
Continuing operations:			
Salaries, bonuses and allowances	7,182,203	7,301,243	7,593,948
Defined contribution plan	283,514	427,239	380,562
Social security contribution	457,284	257,072	245,196
Other employee benefits	537,287	253,577	280,665
	<u>8,460,288</u>	<u>8,239,131</u>	<u>8,500,371</u>
Discontinuing operations:			
Salaries, bonuses and allowances	35,147	-	-
Social security contribution	241	-	-
	<u>35,388</u>	<u>-</u>	<u>-</u>

The estimated monetary value of benefits-in-kind received by the Directors other than in cash from the Group amounted to RM128,689 (2022: RM204,464, 2021: RM232,210).

29. DIVIDENDS

	2021		2022		2023	
	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM	Dividend per share sen	Amount of dividend RM
In respect of current financial year:						
- First and final single tier dividend declared and paid by the combined entities	<u>14</u>	<u>4,867,307</u>	<u>6</u>	<u>2,037,629</u>	<u>9</u>	<u>3,022,575</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**30. RELATED PARTIES TRANSACTIONS****(a) Identities of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) The immediate and ultimate holding companies and their respective direct and indirect subsidiaries;
- (ii) Companies in which the Directors have substantial financial interests; and
- (iii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Directors of the Group.

(b) Significant transactions with related parties

The Group had the following transactions with its related parties during the financial year:

	2021 RM	2022 RM	2023 RM
Transactions with related companies:			
Income:			
- Lease payments received on building	119,225	29,806	-
Transactions with companies in which certain Directors have substantial financial interests:			
Lease payment made on factory	540,000	540,000	585,000
Lease payments made on offices and warehouses	249,989	251,685	229,876
Income:			
- Sales of goods	193,575	137,933	75,789
Expenses:			
- Purchase of goods	260,222	331,620	440,305
- Electricity costs	23,282	20,257	24,691
- Purchase of services	84,000	83,327	87,452



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

30. RELATED PARTIES TRANSACTIONS

(b) Significant transactions with related parties (continued)

The related party transactions described above were carried out on negotiated terms and conditions mutually agreed with the related parties of the Group.

Information regarding outstanding balances arising from related party transactions as at 30 June 2023 is disclosed in Notes 12 and 19 to the financial statements.

(c) Compensation of key management personnel

The remuneration of Directors, who are the only key management personnel of the Group during the financial year are disclosed in Note 28 to the financial statements.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing their interest rate, liquidity and cash flow, credit and foreign exchange risks. The Group's overall business strategies outline their tolerance to risk and their general risk management philosophy and is determined by the management in accordance with prevailing economic and operating conditions. The Group's policy is not to engage in speculative transactions.

(a) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed regularly for the purpose of reducing net interest costs and to achieve interest rates within predictable and desired ranges. The Group does not use derivative financial instruments to hedge their risk.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(a) Interest rate risk (continued)**

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") of the Group's financial instruments as at the reporting date and the periods in which they mature:

	Note	WAEIR per annum %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2021						
Financial liabilities						
Fixed rate						
Revolving credits (secured)	20	3.52	10,000,000	-	-	10,000,000
Bankers' acceptances (secured)	20	3.26	14,659,000	-	-	14,659,000
Floating rate						
Bank overdraft (secured)	20	2.91	2,596,866	-	-	2,596,866
Term loans (secured)	21	1.86	1,718,190	4,159,989	7,706,710	13,584,889



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(a) Interest rate risk (continued)**

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") of the Group's financial instruments as at the reporting date and the periods in which they mature: (continued)

	Note	WAEIR per annum %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2022						
Financial liabilities						
Fixed rate						
Revolving credits (secured)	20	3.35	10,000,000	-	-	10,000,000
Floating rate						
Bank overdraft (secured)	20	5.32	4,747,733	-	-	4,747,733
Invoice financing (secured)	20	3.60	20,086,335	-	-	20,086,335
Term loans (secured)	21	2.01	1,796,426	16,654,003	217,285	18,667,714

* **Note:** COF referring to Bank's Effective Cost of Funds.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(a) Interest rate risk (continued)**

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") of the Group's financial instruments as at the reporting date and the periods in which they mature: (continued)

	Note	WAEIR per annum %	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2023						
Financial liabilities						
Fixed rate						
Revolving credits (secured)	20	4.63	10,000,000	-	-	10,000,000
Floating rate						
Bank overdraft (secured)	20	5.79	4,158,877	-	-	4,158,877
Invoice financing (secured)	20	7.07	19,244,074	-	-	19,244,074
Term loans (secured)	21	6.72	894,717	17,632,046	89,760	18,616,523

* **Note:** COF referring to Bank's Effective Cost of Funds.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(a) Interest rate risk (continued)****Sensitivity analysis for interest rate risk**

At the reporting date, if interest rates on the floating rate financial instruments had been 100 basis points lower/higher, with all other variables held constant, then the Group's profit before taxation and equity would have been RM420,195 (2022: RM435,018, 2021: RM161,818) higher/lower.

The assumed movement in basis points for interest rate sensitivity analysis is based on a prudent estimate of the current market environment.

(b) Liquidity and cash flow risk

The Group maintains sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available. The Group reviews its cash flow position regularly to manage its exposures to fluctuations in future cash flows associated with its monetary financial instruments.

The summary of the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayments obligations is as follows:

	Within 1 year RM	1 - 5 years RM	More than 5 years RM	Total RM
At 30 June 2021				
Trade and other payables	26,718,372	640,565	-	27,358,937
Borrowings	29,428,295	5,698,057	9,059,695	44,186,047
Lease liabilities	6,151,326	11,835,458	-	17,986,784
	<u>62,297,993</u>	<u>18,174,080</u>	<u>9,059,695</u>	<u>89,531,768</u>
At 30 June 2022				
Trade and other payables	25,122,623	717,454	-	25,840,077
Borrowings	37,008,395	18,553,615	621,038	56,183,048
Lease liabilities	6,462,846	8,258,250	-	14,721,096
	<u>68,593,864</u>	<u>27,529,319</u>	<u>621,038</u>	<u>96,744,221</u>
At 30 June 2023				
Trade and other payables	18,593,049	705,643	-	19,298,692
Borrowings	35,631,324	20,822,172	124,208	56,577,704
Lease liabilities	6,345,652	7,034,968	-	13,380,620
	<u>60,570,025</u>	<u>28,562,783</u>	<u>124,208</u>	<u>89,257,016</u>



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(c) Credit risk**

Credit risk arises when sales are made or provided on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

As the Group does not hold any collateral, the maximum exposure to credit risk is the carrying amount of the related financial assets recognised on the statements of financial position.

Other financial assets of the Group with exposure to credit risk include cash and cash equivalents which are placed with financial institutions with good standing.

Significant concentration of credit risk

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset.

(d) Foreign exchange risk

The Company is exposed to foreign currency risk as a result of its normal operating activities, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Company's policy is to keep the foreign exchange exposure to an acceptable level.

Subsidiaries operating in overseas have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency translations. However, the Group monitors the movement in foreign currency exchange rates closely to ensure that the net exposures of each currency are minimised.

The Group holds cash and cash equivalents denominated in foreign currencies for working capital purposes.



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(d) Foreign exchange risk (continued)**

The net unhedged financial assets and financial liabilities of the Group that are not denominated in the functional currency are as follows:

Financial assets and liabilities held in non-functional currency:

	2021 RM	2022 RM	2023 RM
Trade and other receivables			
Pound Sterling	4,060,514	5,089,374	4,511,214
Chinese Renmimbi	3,187,613	-	-
United States Dollar	15,783,866	21,515,308	18,932,233
Euro Dollar	6,527,389	8,665,285	11,407,805
Danish Krone	338,120	131,546	71,556
Hong Kong Dollar	66,705	22,790	54,594
Hungarian Forint	421,287	354,241	586,855
Australian Dollar	1,529,674	1,562,997	1,309,149
New Zealand Dollar	733,273	1,137,740	1,019,786
Singapore Dollar	337,749	334,703	273,518
Japanese Yen	430,710	184,624	245,837
Swedish Krona	346,987	625,166	13,539
United Arab Emirates Dirham	1,644,084	97,116	49,468
Norwegian Krone	3,368	3,098	-
Cash and cash equivalents			
Pound Sterling	1,858,320	1,622,124	3,759,173
Chinese Renmimbi	2,432	2,464	2,616
United States Dollar	4,040,121	9,012,438	12,975,345
Euro Dollar	1,542,362	1,938,633	3,846,977
Danish Krone	228,093	1,106	704,997
Hong Kong Dollar	75,981	71,198	82,230
Hungarian Forint	356,517	698,678	361,448
Australian Dollar	2,329,986	2,244,019	969,978
New Zealand Dollar	837,458	652,094	598,884
Singapore Dollar	547,954	288,834	370,841
Swedish Krona	198,395	225,357	24,405
United Arab Emirates Dirham	304,598	452,064	657,137
Turkish Lira	121	70	59



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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(d) Foreign exchange risk (continued)****Financial assets and liabilities held in non-functional currency: (continued)**

	2021	2022	2023
	RM	RM	RM
Trade and other payables			
Pound Sterling	3,168,536	4,037,908	3,166,948
Chinese Renmimbi	4,913,490	-	-
United States Dollar	5,552,021	5,843,616	5,230,136
Euro Dollar	2,183,958	2,353,202	2,019,337
Danish Krone	1,155,258	861,257	580,856
Hong Kong Dollar	107,710	169,733	298,460
Hungarian Forint	79,227	47,466	117,477
Australian Dollar	1,109,121	1,325,485	640,011
New Zealand Dollar	507,896	414,137	567,199
Singapore Dollar	39,746	181,070	42,853
Swedish Krona	1,459	78,086	-
United Arab Emirates Dirham	632,242	-	-
Borrowings			
Pound Sterling	81,636	25,848	-
United States Dollar	658,983	37,676,957	36,933,431
Euro Dollar	3,338,154	1,070,166	927,166
Danish Krone	362,156	2,923,544	2,787,912
Swedish Krona	-	888	-

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13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
Accountants' Report*

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(d) Foreign exchange risk (continued)**Sensitivity analysis for foreign currency risk

The following table demonstrated the sensitivity of the Group's profit before taxation to a reasonably possible change in foreign exchange rates against the functional currency of the Group, with all other variables held constant. The Group's profit before taxation would increase/decrease, as applicable, by the amounts stated below if the individual foreign currency had strengthened/weakened by 5% (2022: 5%, 2021: 5%):

	2021 RM	2022 RM	2023 RM
Pound Sterling	133,433	132,387	255,172
Chinese Renminbi	(86,172)	123	131
United States Dollar	680,649	(649,641)	(512,799)
Euro Dollar	127,382	359,028	615,414
Danish Krone	(47,560)	(182,607)	(129,611)
Hong Kong Dollar	1,749	(3,787)	(8,082)
Hungarian Forint	34,929	50,273	41,541
Australian Dollar	137,527	124,077	81,956
New Zealand Dollar	53,142	68,785	52,574
Singapore Dollar	42,298	22,123	30,075
Japanese Yen	21,536	9,231	12,292
Swedish Krona	27,196	38,577	1,897
United Arab Emirates Dirham	65,822	27,459	35,330
Norwegian Krone	168	155	-
Turkish Lira	6	4	3

32. CAPITAL MANAGEMENT

The Group's objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and unpredictability of the financial markets. The Group's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future business developments. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**32. CAPITAL MANAGEMENT (continued)**

In the management of capital risk, the management takes into consideration the gearing ratio as well as the Group's working capital requirement. The gearing ratio is calculated as net debt divided by total capital plus net debt. Net debt is calculated as loans and borrowing (including lease liabilities) less cash and cash equivalents. Total capital comprises share capital and reserves attributable to equity holder of the Company.

	2021 RM	2022 RM	2023 RM
Net debt	44,643,727	49,086,680	37,843,441
Total capital	71,282,851	74,596,490	105,152,644
Capital and net debt	115,926,578	123,683,170	142,966,085
Gearing ratio	39%	40%	26%

33. COMMITMENTS

Capital commitments

	2021 RM	2022 RM	2023 RM
Capital expenditure in respect of purchase of property, plant and equipment:			
Contracted but not provided	99,711	105,684	11,900,000

34. CONTINGENT LIABILITIES

- (a) On 8 December 2015, a claim relating to the cancellation of a distribution agreement which resulted in damages and loss to the distributor, Vikela Aluvin (Pty) Ltd. has been instituted by the distributor jointly against the Company and its subsidiary, Mega Fortris South Africa (Pty) Ltd. The claim amounted to approximately RM5.97 million (ZAR18.11 million) which includes interest at a rate of 9% per annum. The cost of the legal proceeding is estimated between RM66,000 to RM165,000 (ZAR200,000 to ZAR500,000). As at November 2023, all parties involved have signed a settlement agreement agreeing to withdraw the case, which is still pending registration with the court as at reporting date.
- (b) Subsequent to the financial year end, pursuant to a private legal claim made by certain directors of the Company (collectively known as the "Plaintiffs") against certain third parties (collectively known as the "Defendants") for breach of contracts, a counterclaim was made by the Defendants against the Plaintiffs, including the Company and its holding companies. The Board of Directors of the Company is of view, with consultation of legal advice, that the counterclaim against the Company is wholly frivolous and without any factual foundation considering the Company is not a party to any of the contracts entered into between the Plaintiffs and the Defendants and the Company was not involved in the private dispute. The Company has made an application to the court to strike off the inclusion of its name in the counterclaim.



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**35. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE**

	2021 RM	2022 RM	2023 RM
Assets of disposal group classified as held for sale	3,392,636	3,159,464	3,062,674
Liabilities of disposal group classified as held for sale	<u>(410,307)</u>	<u>(382,105)</u>	<u>(349,677)</u>
	<u><u>2,982,329</u></u>	<u><u>2,777,359</u></u>	<u><u>2,712,997</u></u>

During the financial year ended 30 June 2021, a subsidiary of the Company, Mega Fortris South Africa Pty Ltd, and its subsidiary, were presented as a disposal group held for sale following the commitment of the Group to a plan on 30 June 2020 to liquidate the entities. The liquidation proceeding is ongoing as at the end of the reporting period.

As at the end of the reporting period, the assets and liabilities of the disposal group are as follows:

	2021 RM	2022 RM	2023 RM
Assets of disposal group classified as held for sale			
Property, plant and equipment	239,398	222,944	204,023
Right-of-use assets	223,626	208,256	190,582
Intangible assets	965	898	822
Deferred tax assets	45,279	42,167	38,588
Trade and other receivables	2,053,991	1,912,824	1,921,836
Current tax assets	1,578	1,469	1,345
Cash and bank balances	<u>827,799</u>	<u>770,906</u>	<u>705,478</u>
	<u><u>3,392,636</u></u>	<u><u>3,159,464</u></u>	<u><u>3,062,674</u></u>
Liabilities of disposal group classified as held for sale			
Trade and other payables	154,498	143,877	131,668
Lease liabilities	<u>255,809</u>	<u>238,228</u>	<u>218,009</u>
	<u><u>410,307</u></u>	<u><u>382,105</u></u>	<u><u>349,677</u></u>



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**36. DISCONTINUED OPERATIONS**

- (a) An analysis of the results of the discontinued operations is as follows:

	2021 RM	2022 RM	2023 RM
Statements of profit or loss and other comprehensive income			
Revenue	4,560,125	-	-
Cost of sales	<u>(2,973,961)</u>	<u>-</u>	<u>-</u>
Gross profit	1,586,164	-	-
Other operating income	3,992,127	-	-
Net gain on impairment of financial assets	-	-	170,568
Selling and distribution expenses	(194)	-	-
Administrative expenses	(1,004,111)	(1,402,734)	(1,942,692)
Finance costs	<u>(13,387)</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before taxation	4,560,599	(1,402,734)	(1,772,124)
Taxation	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(Loss) for the financial year	<u>4,560,599</u>	<u>(1,402,734)</u>	<u>(1,772,124)</u>

- (b) The following amounts have been included in arriving at profit/(loss) before taxation of the discontinued operations:

	2021 RM	2022 RM	2023 RM
After charging:			
Interest expenses on lease liabilities	13,387	-	-
Loss on foreign exchange:			
- unrealised	-	1,558,442	2,121,756
Depreciation and amortisation:			
- Property plant and equipment	39,640	-	-
- Right-of-use assets	103,222	-	-
And crediting:			
Gain on foreign exchange:			
- realised	(3,309,807)	(155,708)	(179,064)
- unrealised	(681,866)	-	-
Interest income	<u>(454)</u>	<u>-</u>	<u>-</u>



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)**36. DISCONTINUED OPERATIONS (continued)**

- (c) The cash flows attributable to the discontinued operations are as follows:

	2021 RM	2022 RM	2023 RM
Cash flows from operating activities	565,788	-	-
Cash flows from investing activities	489	-	-
Cash flows used in financing activities	(83,258)	-	-
	<u>483,019</u>	<u>-</u>	<u>-</u>

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) Acquisitions of subsidiaries pursuant to the Listing

On 30 June 2023, the Company entered into a conditional share sale and purchase agreement with Mega Fortris Global Pte. Ltd. ("MFGPL") for the following acquisitions:

- (i) Acquisition of the entire issued share capital of MFEU from MFGPL, comprising 125,000 ordinary shares in MFEU for a purchase consideration of RM14,536,221, satisfied via the issuance of 14,536,221 Mega Fortris shares at an issue price of RM1.00 each;
- (ii) Acquisition of the entire issued share capital of MFA from MFGPL, comprising 2,000 ordinary shares in MFA for a purchase consideration of RM15,762,593 (equivalent to USD3,421,444), satisfied via the issuance of 15,762,593 Mega Fortris shares at an issue price of RM1.00 each;
- (iii) Acquisition of the 75 percent of the issued share capital of MFAUS from MFGPL, comprising 75 ordinary shares in MFAUS for a purchase consideration of RM2,045,445 (equivalent to AUD681,429), satisfied via the issuance of 2,045,445 Mega Fortris shares at an issue price of RM1.00 each; and
- (iv) Acquisition of the 75 percent of the issued share capital of MFNZ from MFGPL, comprising 10,000 ordinary shares in MFNZ for a purchase consideration of RM1,367,715 (equivalent to NZD491,224), satisfied via the issuance of 1,367,715 Mega Fortris shares at an issue price of RM1.00 each.

The aggregate purchase consideration of RM33,711,974, to be satisfied via the issuance of 33,711,974 new Mega Fortris shares to MFGPL at RM1.00 per share was arrived at on a willing buyer-willing seller basis and after taking into consideration the audited net assets of the respective subsidiaries as at 30 June 2022.

The acquisitions of subsidiaries have been completed on 30 June 2023 in accordance with the terms and conditions of the SPA.



13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

38. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) On 6 July 2023, the Group disposed of a building located in Helsingor Municipality for total cash consideration of DKK7,700,000. As a result of the disposal of the building, the term loan amounted to RM888,360 as at 30 June 2023 has been settled.
- (b) On 17 August 2023, the Company acquired a piece of freehold land together with one unit of single-storey factory annexed with three-storey office building located at No.56, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor for total purchase consideration of RM14,000,000.
- (c) On 13 October 2023, the Company carried out the share split involving the subdivision of every one (1) ordinary share in the Company into thirty (30) ordinary shares held by eligible member of the Company. Upon completion of the share split, the total number of ordinary shares in the Company increased from 34,854,974 shares to 1,045,649,220 shares.
- (d) On 26 January 2024, the Company carried out an alteration of share capital where every three (3) existing ordinary shares in the capital of the Company be consolidated into two (2) ordinary shares. Consequently, the total number of ordinary shares in the Company be altered from 1,045,649,220 shares to 697,099,480 shares.

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13. ACCOUNTANTS' REPORT

*Mega Fortris Berhad (199801004408 (460535 - H))
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
Accountants' Report*

STATEMENT BY DIRECTORS

We, Datuk Ng Meng Poh and Ng Weng Choi, being two of the Directors of Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.), state that, in the opinion of the Directors, the Combined Financial Statements set out on pages 4 to 122 are drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2021, 30 June 2022 and 30 June 2023 and of the financial performance and cash flows of the Group for the financial years ended 30 June 2021, 30 June 2022 and 30 June 2023 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 22 March 2024,



.....
Datuk Ng Meng Poh
Director



.....
Ng Weng Choi
Director

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT



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360 Jalan Tuanku Abdul Rahman
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Malaysia

The Board of Directors
Mega Fortris Berhad
(formerly known as Mega Fortris (Malaysia) Sdn. Bhd.)
29 Jalan Anggerik Mokara 31/47
Kota Kemuning Seksyen 31
40460 Shah Alam
Selangor Darul Ehsan

Date: 22 March 2024

Our ref: BDO/LWH/TKY2/LJX

Dear Sirs

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) ("Mega Fortris" or "the Company") and its subsidiaries ("the Group")
Report on the Compilation of Pro Forma Consolidated Statements of Financial Position as at 30 June 2023 ("This Report")

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of the Group as at 30 June 2023 ("Pro Forma Consolidated Statements of Financial Position"). The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes thereon, for which we have stamped for purpose of identification, have been compiled by the Board of Directors of the Company ("Board of Directors") for inclusion in the prospectus of the Group (the "Prospectus") in connection with the listing of and quotation for the entire enlarged issued shares of the Company on the Main Market of Bursa Malaysia Securities Berhad (the "Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors, to illustrate the impact of the events or transactions as set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position on the Group's financial position as at 30 June 2023 as if the events have occurred or the transactions have been undertaken on 30 June 2023. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the financial statements of the Group for the financial year ended 30 June 2023, which has been audited.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Our Independence and Quality Management

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT



Our Independence and Quality Management (continued)

The Firm applies Malaysian Approved International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, the Firm is required to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of Pro Forma Consolidated Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT



Reporting Accountants' Responsibility (continued)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matter

This Report has been prepared solely for the purpose stated above, in connection with the Listing. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this Report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'BDO PLT'.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Lee Wee Hoong'.

Lee Wee Hoong
03316/07/2025 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) (199801004408 (460535 - H))
Pro Forma Consolidated Statements of Financial Position

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

The Pro Forma Consolidated Statements of Financial Position have been prepared for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 30 June 2023 based on the assumptions that the transactions set out in Note 1.3 had been effected on that date, and should be read in conjunction with the notes thereon.

	Note	As at 30 June 2023 RM	Adjustment for Share Split and Share Consolidation RM	Pro Forma I After Share Split and Share Consolidation RM	Adjustments for Public Issue and Use of Proceeds RM	Pro Forma II After Pro Forma I and Public Issue and Use of Proceeds RM
ASSETS						
Non-current assets						
Property, plant and equipment		59,997,723	-	59,997,723	-	59,997,723
Right-of-use assets		12,815,230	-	12,815,230	-	12,815,230
Intangible assets		5,275,183	-	5,275,183	-	5,275,183
Trade and other receivables		11,705,976	-	11,705,976	-	11,705,976
Deferred tax assets		401,458	-	401,458	-	401,458
		90,195,570	-	90,195,570	-	90,195,570
Current assets						
Inventories		32,655,870	-	32,655,870	-	32,655,870
Trade and other receivables		42,312,102	-	42,312,102	-	42,312,102
Current tax assets		986,723	-	986,723	-	986,723
Cash and bank balances	1	26,591,402	-	26,591,402	[•]	[•]
		102,546,097	-	102,546,097	[•]	[•]
Assets of disposal group classified as held for sale		3,062,674	-	3,062,674	-	3,062,674
TOTAL ASSETS		195,804,341	-	195,804,341	[•]	[•]
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	2	34,854,974	-	34,854,974	[•]	[•]
Reserves	2	70,468,448	-	70,468,448	[•]	[•]
		105,323,422	-	105,323,422	[•]	[•]
Non-controlling interests		3,340,631	-	3,340,631	-	3,340,631
TOTAL EQUITY		108,664,053	-	108,664,053	[•]	[•]



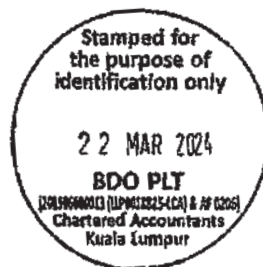
14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) (199801004408 (460535 - H))
Pro Forma Consolidated Statements of Financial Position

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 (continued)

The Pro Forma Consolidated Statements of Financial Position have been prepared for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 30 June 2023 based on the assumptions that the transactions set out in Note 1.3 had been effected on that date, and should be read in conjunction with the notes thereon. (continued)

	Note	As at 30 June 2023 RM	Adjustment for Share Split and Share Consolidation RM	Pro Forma I After Share Split and Share Consolidation RM	Adjustments for Public Issue and Use of Proceeds RM	Pro Forma II After Pro Forma I and Public Issue and Use of Proceeds RM
LIABILITIES						
Non-current liabilities						
Deferred tax liabilities		3,144,402	-	3,144,402	-	3,144,402
Borrowings		17,721,806	-	17,721,806	-	17,721,806
Lease liabilities		6,595,393	-	6,595,393	-	6,595,393
Other payables		705,643	-	705,643	-	705,643
		28,167,244	-	28,167,244	-	28,167,244
Current liabilities						
Trade and other payables		17,293,049	-	17,293,049	-	17,293,049
Borrowings		34,297,668	-	34,297,668	-	34,297,668
Lease liabilities		5,819,976	-	5,819,976	-	5,819,976
Contract liabilities		298,542	-	298,542	-	298,542
Current tax liabilities		914,132	-	914,132	-	914,132
		58,623,367	-	58,623,367	-	58,623,367
Liabilities of disposal group classified as held for sale		349,677	-	349,677	-	349,677
TOTAL LIABILITIES		87,140,288	-	87,140,288	-	87,140,288
TOTAL EQUITY AND LIABILITIES		195,804,341	-	195,804,341	[•]	[•]
Net assets (RM)		108,664,053	-	108,664,053	-	[•]
Number of ordinary shares in issue		34,854,974	662,244,506	697,099,480	147,873,000	844,972,480
Net assets attributable to equity holders per ordinary share (RM)		3.12		0.16		[•]



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) (199801004408 (460535 - H))
Pro Forma Consolidated Statements of Financial Position

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**1. INTRODUCTION, BASIS OF PREPARATION AND LISTING SCHEME****1.1 Introduction**

The Pro Forma Consolidated Statements of Financial Position of Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) ("Mega Fortris" or the "Company") and its subsidiaries (the "Group") as at 30 June 2023 ("Pro Forma Consolidated SOFP") together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the listing of and quotation for the entire enlarged issued shares of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

1.2 Basis of preparation

The Pro Forma Consolidated SOFP of the Company have been prepared based on the audited combined statements of financial position of the Group as at 30 June 2023, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and IFRS Accounting Standards, and in a manner consistent with the format of financial statements and accounting policies of the Group.

The audited financial statements of the Group for the financial year ended 30 June 2023 was not subject to any audit qualification.

The Pro Forma Consolidated SOFP together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 1.3 had the events occurred or the transactions been undertaken on 30 June 2023. The Pro Forma Consolidated SOFP is not necessarily indicative of the financial position of the Group that would have been attained had the effects of the events or transactions as set out in Note 1.3 actually occurred on earlier date. Accordingly, such information, because of its nature, may not be reflective of the actual financial position of the Group and does not purport to predict the future financial position of the Group.

1.3 Listing Scheme

The Share Split and Public Issue as disclosed in Notes 1.3.1 and 1.3.2 respectively are included in the Pro Forma SOFP to show the effects of the transactions on the audited statements of financial position of the Group as at 30 June 2023 had the transactions been effected on 30 June 2023 in accordance with the Prospectus Guidelines.

1.3.1 Share Split and Share Consolidation

In conjunction with the Listing, the Company carried out a subdivision of 1 ordinary share in the Company to 30 ordinary shares in the Company ("Share Split") on 13 October 2023. Upon completion of the Share Split, the total number of ordinary shares in the Company increased from 34,854,974 shares to 1,045,649,220 shares.

Subsequent to the Share Split, on 26 January 2024, the Company carried out an alteration of share capital where every three (3) existing ordinary shares in the capital of the Company be consolidated into two (2) ordinary shares. Consequently, the total number of ordinary shares in the Company be altered from 1,045,649,220 shares to 697,099,480 shares.



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) (199801004408 (460535 - H))
Pro Forma Consolidated Statements of Financial Position

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

1. INTRODUCTION, BASIS OF PREPARATION AND LISTING SCHEME (continued)

1.3 Listing Scheme (continued)

1.3.2 Public Issue

The Public Issue of 147,873,000 new Shares, representing 17.50% of the enlarged issued share capital of 844,972,480 at an issue price of RM[•] per Share to be allocated and allotted in the following manner:

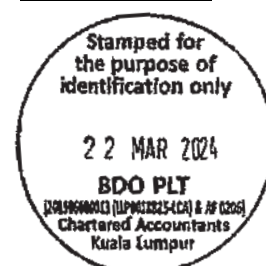
- (i) 42,250,000 new Shares made available for application by Malaysian public;
- (ii) 25,350,000 new Shares made available for application by the eligible directors of Mega Fortris Group, eligible employees and persons who have contributed to the success of the Group;
- (iii) 38,024,000 new Shares made available by way of private placement to selected Bumiputera investors approved by the Ministry of International Trade and Industry, Malaysia; and
- (iv) 42,249,000 new Shares made available by way of private placement to institutional and selected investors.

Upon completion of the Public Issue, Mega Fortris would seek the listing of and quotation for its entire enlarged issued shares comprising 844,972,480 Shares on the Main Market of Bursa Malaysia Securities Malaysia.

Use of Proceeds from Public Issue

The gross proceeds from the Public Issue of RM[•] are expected to be utilised in the following manner:

Details of utilisation	Estimated timeframe for utilisation upon Listing	RM
Capital expenditures:		
- new business in providing total solution in supplying and handling of playing cards in sealed security boxes in Macao ("Macao Playing Cards Business") ⁽¹⁾	36 months	[•]
- new production facilities for security seals in United Kingdom ⁽¹⁾	36 months	[•]
Working capital requirements ⁽²⁾	6 months	[•]
Estimated listing expenses ⁽³⁾	Immediate	[•]
		[•]



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT

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Pro Forma Consolidated Statements of Financial Position

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

1. INTRODUCTION, BASIS OF PREPARATION AND LISTING SCHEME (continued)

1.3.2 Public Issue (continued)

Use of Proceeds from Public Issue (continued)

Notes:

- (1) As at the latest practicable date of the prospectus, the Group has yet to enter into any contractual binding agreement or issue any purchase order in relation to the acquisitions of new machineries for the Group's Macao Playing Cards Business and the setup of new production facilities for security seals in United Kingdom. Accordingly, the Use of Proceeds earmarked for the acquisitions of new machineries for the Group's Macao Playing Cards Business and the setup of new production facilities for security seals in United Kingdom are not reflected in the Pro Forma Consolidated Statements of Financial Position.
- (2) As at the latest practicable date of the prospectus, the Group has yet to enter any definite agreements with any parties or issue any purchase orders, the proceeds earmarked for working capital purposes, have been included in cash and bank balances for purposes of illustration in the Pro Forma Consolidated Statements of Financial Position.
- (3) The estimated listing expenses totalling RM[•] comprise placement fees, brokerage commission, underwriting commission, Initial Public Offering ("IPO") consultants' fees, regulatory fees and miscellaneous fees. The IPO consultants' fees comprise fees incurred for due diligence (local and overseas), audit, independent market research, internal control review, tax advisory (local and overseas), company secretary, enterprise risk management solutions, share registrar and issuing house, principal adviser fees and success fee. The estimated listing expenses of RM[•] directly attributable to the Public Issue will be offset against the share capital of the Company and the remaining estimated listing expenses of RM[•] will be expensed off to the profit or loss.

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

2.1 PRO FORMA ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2.1.1 PRO FORMA I

Pro forma I incorporates the effects of Share Split and Share Consolidation as disclosed in Note 1.3.1.

2.1.2 PRO FORMA II

Pro forma II incorporates the effects Pro Forma I and Public Issue and Use of Proceeds as disclosed in Note 1.3.2



14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) (199801004408 (460535 - H))
Pro Forma Consolidated Statements of Financial Position

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

1. CASH AND BANK BALANCES

The movements of cash and bank balances are as follows:

	RM	RM
As at 30 June 2023/Pro Forma I		26,591,402
Proceeds from the public issue	[•]	
Estimated listing expenses	[•]	
		[•]
Pro Forma II		[•]

2. SHARE CAPITAL AND RESERVES

The movements in the share capital and reserves are as follows:

	Share capital RM	Reserves RM	Total RM
As at 30 June 2023/Pro Forma I	34,854,974	70,468,448	105,323,422
Public issue	[•]	-	[•]
Enlarged share capital and reserves	[•]	[•]	[•]
Estimated listing expenses attributable to Public Issue	[•]	-	[•]
Estimated other listing expenses and IPO consultants' fees	-	[•]	[•]
Pro Forma II	[•]	[•]	[•]



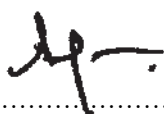
14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION REPORT

Mega Fortris Berhad (formerly known as Mega Fortris (Malaysia) Sdn. Bhd.) (199801004408 (460535 - H))
Pro Forma Consolidated Statements of Financial Position

APPROVAL BY THE BOARD OF DIRECTORS

The Pro Forma Consolidated Statements of Financial Position have been approved and adopted by the Board of Directors of Mega Fortris in accordance with a resolution dated 22 March 2024.

Signed on behalf of the Board of Directors.



.....
Datuk Ng Meng Poh
Director



.....
Ng Weng Choi
Director

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) As at the date of this Prospectus, we have only one class of shares, namely ordinary shares, all of which rank equally with one another.
- (ii) No securities will be allotted or issued on the basis of this Prospectus later than six months after the date of issue of this Prospectus.
- (iii) As at the date of this Prospectus, save as disclosed in Sections 4.2, 6.1.1 and 6.1.2 of this Prospectus, there are no shares, outstanding warrants, options, convertible securities or uncalled capital in our Group which have been or are proposed to be issued during the FYE Under Review, and from 1 July 2023 up to the date of this Prospectus.
- (iv) Save for the Issue Shares reserved for Eligible Persons as disclosed in Section 4.1.1 (ii) of this Prospectus, there is currently no other scheme involving our Directors and employees in the share capital of our Company.
- (v) Our Company does not have any capital that is under option, and has not agreed conditionally or unconditionally to put any capital of our Company under option as at the date of this Prospectus.
- (vi) Save as disclosed in this Prospectus and save as provided under our Constitution and the Act, there are no other restrictions on the holding or voting or transfer of our Shares.

15.2 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law.

The words, terms and expressions appearing in the following provision shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

(i) Transfer of securities

The provisions in our Constitution in respect of arrangements for transfer of the securities and restrictions on their free transferability are as follows:

Clause 31. Transfer of Deposited Securities

- 31.1 Subject to the restriction imposed by this Constitution, the Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.
- 31.2 The Depository may, in its absolute discretion, refuse to register any transfer Deposited Security where the reason for transfer does not fall within any approved reasons provided for in the Rules or does not comply with the Rules.
- 31.3 Subject to provisions of the Act, the Listing Requirements and the Rules, there shall be no restriction on the transfer of fully paid securities except where required by law or transfer is in respect of the partly paid Shares in respect of which a call has been made and is unpaid.

15. ADDITIONAL INFORMATION

Clause 32. Transfer of Shares (Non-Deposited Securities)

- 32.1 Subject to the provisions of the Act and this Constitution, any Member may transfer all or any of his Shares (which is not Deposited Securities) by a duly executed and stamped instrument in writing. The instrument shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the Shares transferred until the transfer is registered and the name of the transferee is entered in the Register of Members in respect thereof.
- 32.2 The instrument of transfer must be left for registration at the Office of the Company together with such fee not exceeding RM1.00 as the Directors from time to time may require accompanied by the certificate of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as a shareholder and retain the instrument of transfer.
- 32.3 Subject to the Act, the Directors may in their discretion through passing of a resolution to decline or delay registering any transfer of Shares (which is non-Deposited Security) to a person of whom they do not approve, whether or not being fully paid Shares or Shares on which the Company has a lien, within 30 days from the date of receipt the instrument of transfer.
- 32.4 Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the Shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such Shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.
- 32.5 Subject to any written law, no Shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
- 32.6 Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any Shares by the allottee thereof in favour of some other persons.
- 32.7 All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline or refuse to register shall on demand be returned to the person depositing the same. All powers of attorney granted by members for purpose (inter-alia) of transferring Shares which may be lodged, produced or exhibited to the Company or any of its proper officers shall as between the Company and the grantor of such powers be taken and deemed to continue and remain in full force and effect and the same may be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the registered office of the Company.

15. ADDITIONAL INFORMATION

(ii) Changes to capital and variation of class rights

The provisions in our Constitution in respect of the changes in capital or variation of class rights are as follows:

Clause 8. Issue of Shares

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, but subject to the Act, the Listing Requirements, any other statutory requirements, and to conditions, restrictions and limitations expressed in this Constitution, the Directors may allot, issue or grant rights to subscribe for or otherwise dispose of unissued shares in the Company to such persons, at such time and on such terms and conditions, with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as they deem proper, but the Directors in making any such issue of shares shall comply with the following conditions:

- 8.1 No Shares shall be issued at a discount except in compliance with the provisions of the Act.
- 8.2 The rights attaching to shares of a class other than ordinary shares, shall be expressed in this Constitution, the respective term sheets and/or subscription agreement.
- 8.3 No issue of Shares shall be made without the prior approval of the members of the Company in general meeting.
- 8.4 No Director shall participate in a scheme that involves a new issuance of Shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director and such Director must not vote on the resolution approving the said allotment.

Clause 9. Rights of preference shareholders

- 9.1 Subject to the Act, the Listing Requirements and term sheet and/or subscription agreement, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company has the power to issue such preference capital ranking equally with, or in priority to preference shares already issued.
- 9.2 Subject to the Act, the Listing Requirements and term sheet and/or subscription agreement, a holder of preference shares must have a right to vote in meetings of holders of their respective class of shares in each of the following circumstances:
 - (a) when the dividend or part of the dividend on the share is in arrears for more than six months;
 - (b) on a proposal to reduce the Company's share capital;
 - (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (d) on a proposal that affects the rights attached to the preference shares;

15. ADDITIONAL INFORMATION

- (e) on a proposal to wind up the Company;
 - (f) during the winding up of the Company; and
 - (g) the Company shall not, without the consent of the existing preference members at a class meeting, issue further preference capital ranking in priority above preference share already issued.
- 9.3 Subject to this Constitution and/or term sheet and/or subscription agreement, a holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited financial statements, and attending general meetings.
- 9.4 The Company shall not allot any preference shares or convert any issued shares into preference shares unless in accordance with the right of the Members with respect to repayment of capital, participation in surplus assets and profits, cumulative or non-cumulative dividends, voting and priority of payment of capital and dividend in relation to other Shares and other classes of preference shares as set out in this Constitution and/or term sheet and/or subscription agreement.

Clause 11. Modification of class rights

Subject to the provisions of the Act, if at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of 3/4 of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall *mutatis mutandis* apply so that the necessary quorum shall be two persons at least holding or representing by proxy 1/3 of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

Clause 12. Alteration of rights by issuance of new Shares

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

Clause 52. Power to increase capital

Subject to the Act, this Constitution, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, the Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

15. ADDITIONAL INFORMATION

Clause 53. Offer of new Shares to the Member

Subject to any direction to the contrary that may be given by the Company in general meeting, any new Shares or other convertible securities of whatever kind for the time being unissued and not allotted and any new Shares or securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares or securities to which they are entitled. The offer shall be made by notice specifying the number of Shares or securities offered and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or securities offered, the Directors may dispose of those Shares or securities in such manner as they think most beneficial to the Company. The Directors may also dispose of any new Shares or securities which (by reason of the ratio which the new Shares or securities bear to Shares or securities held by persons entitled to an offer of new Shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 54. Ranking of new Shares

Except so far as otherwise provided by the conditions of issue in this Constitution, any share capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company and shall be subject to the same provisions with reference to the allotments, the payment of calls and instalments, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Clause 55. Power to alter capital

The Company may by ordinary resolution and subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution:

- 55.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- 55.2 subdivide its share capital or any part thereof into shares of smaller amount, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares;
- 55.3 cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; or
- 55.4 convert and/or reconvert and/or re-classify any class of shares into any other class of shares.

Clause 56. Power to reduce capital

The Company may by special resolution, subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, reduce its share capital, any capital redemption reserve fund or any reserve account in any manner authorised by the Act and subject to any consent required by law.

15. ADDITIONAL INFORMATION

(iii) Remuneration of Directors

The provisions in our Constitution in respect of remuneration of our Directors are as follows:

Clause 93. Directors' Remuneration

The fees and benefits payable to the Directors of the Company including compensation for loss of employment of a Director or a former Director of the Company shall from time to time be approved by Members in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

- 93.1 salaries payable to executive Director(s) may not include a commission on or percentage of turnover; and
- 93.2 fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover.

Clause 94. Reimbursement of expenses

- 94.1 The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending board meetings or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.
- 94.2 If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing a special remuneration in addition to his Director's fees and such special remuneration may be by way fixed sum or otherwise as may be arranged.

Clause 115. Alternate Director

- 115.1 A Director may appoint any person to act as his Alternate Director and at his discretion by way of a notice to the Company, remove such Alternate Director from office. PROVIDED ALWAYS that:
 - (a) such person is not a director of the Company;
 - (b) such person does not act as an alternate for more than one Director of the Company;
 - (c) the appointment is approved by a majority of the other members of the Board; and
 - (d) any fee paid by the Company to an alternate director shall be deducted from that Director's remuneration.

15. ADDITIONAL INFORMATION

- 115.2 An alternate Director shall (except as regards power to appoint an alternate Director and remuneration) be subject in all respects to the terms and conditions existing with reference to the other Directors and shall be entitled to receive notices of all meetings of the Directors and to attend, speak and vote at any such meeting at which his appointer is not present.
- 115.3 Any appointment or removal of an alternate Director may be made by cable, telegram, facsimile, telex or in any other manner approved by the Directors. Any cable or telegram shall be confirmed as soon as possible by letter but may be acted upon by the Company meanwhile.
- 115.4 If a Director making any such appointment as aforesaid shall cease to be a Director (otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected), the person appointed by him as an alternative Director shall thereupon cease to be an alternate Director.
- 115.5 An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.

Clause 117. Remuneration of Managing Director

The remuneration of a managing director or managing directors shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

(iv) Voting and borrowing powers of Directors

The provisions in our Constitution dealing with voting powers of our Directors in the proposals, arrangements or contracts in which they are interested in and the borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:

Clause 96. General power of the Company vested in Directors

The business of the Company shall be managed by the Directors who may, in addition to the powers and authorities by these presents or otherwise expressly conferred upon them, pay all expenses incurred in promoting and registering the Company, and exercise all such powers of the Company as are not by the Act or by this Constitution required to be exercised by the Company in general meeting subject, nevertheless, to any of this Constitution, to the provisions of the Act, and to such regulations, not being inconsistent with this Constitution or provisions of the Act as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made or passed.

Clause 97. Limitation on Directors' powers

The Directors shall not without the prior approval of the Company in general meeting:

- (a) exercise any power of the Company to issue shares unless otherwise permitted under the Act;
- (b) carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of the Company's undertaking or property; and

15. ADDITIONAL INFORMATION

- (c) subject to the Act, enter into any arrangement or transaction with a Director of the Company or its holding company or with a person connected with such a Director, to acquire from or dispose to such a Director or person, any shares or non-cash assets of the requisite value.

Clause 98. Directors' borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

Clause 111. Chairman to have a casting vote

- 111.1 Subject to this Constitution any question arising at any meeting of the Directors shall be decided by a majority of votes, each Director having one vote and a determination by a majority of the Directors shall for all purposes be deemed a determination of the Directors.
- 111.2 In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote EXCEPT where only two of the Directors form a quorum and only such Directors are present at the meeting or where only two of the Directors are competent to vote on the question in issue, whereupon the resolution shall be deemed not to have been passed, without affecting any other businesses at the meeting.

Clause 113. Disclosure of interest and restriction on discussion and voting

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 222 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 221 of the Act and all other relevant provisions of the Act and this Constitution.

Clause 114. Power to vote

Without prejudice to the provisions of any other Constitution, the Act and the Listing Requirements, a Director may vote in respect of:

- 114.1 any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- 114.2 any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security.

15. ADDITIONAL INFORMATION

(v) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

The provisions in our Constitution in respect of rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights are as follows:

Clause 8. Issue of Shares

Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, but subject to the Act, the Listing Requirements, any other statutory requirements, and to conditions, restrictions and limitations expressed in this Constitution, the Directors may allot, issue or grant rights to subscribe for or otherwise dispose of unissued shares in the Company to such persons, at such time and on such terms and conditions, with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as they deem proper, but the Directors in making any such issue of shares shall comply with the following conditions:

- 8.1 No Shares shall be issued at a discount except in compliance with the provisions of the Act.
- 8.2 The rights attaching to shares of a class other than ordinary shares, shall be expressed in this Constitution, the respective term sheets and/or subscription agreement.
- 8.3 No issue of Shares shall be made without the prior approval of the members of the Company in general meeting.
- 8.4 No Director shall participate in a scheme that involves a new issuance of Shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director and such Director must not vote on the resolution approving the said allotment.

Clause 9. Rights of preference shareholders

- 9.1 Subject to the Act, the Listing Requirements and term sheet and/or subscription agreement, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company has the power to issue such preference capital ranking equally with, or in priority to preference shares already issued.
- 9.2 Subject to the Act, the Listing Requirements and term sheet and/or subscription agreement, a holder of preference shares must have a right to vote in meetings of holders of their respective class of shares in each of the following circumstances:
 - (a) when the dividend or part of the dividend on the share is in arrears for more than six months;
 - (b) on a proposal to reduce the Company's share capital;
 - (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;

15. ADDITIONAL INFORMATION

- (d) on a proposal that affects the rights attached to the preference shares;
 - (e) on a proposal to wind up the Company;
 - (f) during the winding up of the Company; and
 - (g) the Company shall not, without the consent of the existing preference members at a class meeting, issue further preference capital ranking in priority above preference share already issued.
- 9.3 Subject to this Constitution and/or term sheet and/or subscription agreement, a holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited financial statements, and attending general meetings.
- 9.4 The Company shall not allot any preference shares or convert any issued shares into preference shares unless in accordance with the right of the Members with respect to repayment of capital, participation in surplus assets and profits, cumulative or non-cumulative dividends, voting and priority of payment of capital and dividend in relation to other Shares and other classes of preference shares as set out in this Constitution and/or term sheet and/or subscription agreement.

Clause 11. Modification of class rights

Subject to the provisions of the Act, if at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of 3/4 of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall *mutatis mutandis* apply so that the necessary quorum shall be two persons at least holding or representing by proxy 1/3 of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

15.3 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

Save as disclosed under Annexure C of this Prospectus, there are no other governmental law, decree, regulation or other requirements which may:

- (i) affect the repatriation of capital and the remittance of profit by or to us; or
- (ii) have an impact on the availability of cash and cash equivalents for use by us and the remittance of dividends, interest or other payments to our shareholders.

15.4 LIMITATION ON THE RIGHT TO OWN SECURITIES

Subject to Section 15.5 of this Prospectus, there is no limitation on the right to own our securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by our Constitution.

15. ADDITIONAL INFORMATION

15.5 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer our Shares to the Ministry of Finance Malaysia and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.6 MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (including contracts not in writing), not being contracts in the ordinary course of business, that have been entered into by any company within our Group during the FYE Under Review and from 1 July 2023 up to the date of this Prospectus:

- (i) share sale agreement dated 30 June 2023 between our Company (as purchaser) and Mega Fortris Global (as vendor) for the Acquisitions. Further details of the Acquisitions are set out in Section 6.1.2.1 of this Prospectus;
- (ii) share sale agreement dated 2 May 2023 (as supplemented by a supplemental agreement dated 5 May 2023) between our Company (as vendor) and Sunny Tan Kah Wei (as purchaser) for the disposal of 100,000 shares representing 100.00% equity interest in MFSS, together with 100 shares representing 100.00% equity interest in MIOT, for RM100,000.00 satisfied by way of cash. Further, MFSS (including MIOT) shall repay the amount owing to our Company via set-off in proportion of 30% of value of each invoice that they bill to us and a fixed 10 half yearly instalments, over a five-year period. The disposal was completed on 15 May 2023;
- (iii) share sale agreement dated 2 May 2023 between Mega Fortris Europe (as vendor) and Ole Fast (as purchaser) for the disposal of 2,100 shares representing 70.00% equity interest in MFIB for EUR1.00 satisfied by way of cash. Further, Mega Fortris Europe has entered into a loan and debt consolidation agreement with MFIB dated 27 April 2023 (as supplemented by a supplemental agreement dated 2 February 2024) for MFIB to repay the amount owing to Mega Fortris Europe via a fixed 10 half yearly instalments, over a five years' period. The disposal was completed in June 2023;
- (iv) sale and purchase agreement dated 17 August 2023 between Horizonshoppes (Malaysia) Sdn Bhd (as vendor) and our Company (as purchaser) for the purchase of a piece of land held under No.56, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor for a total consideration of RM14,000,000.00 satisfied by way of cash and banking facility. The sale and purchase transaction was completed on 30 November 2023; and
- (v) the Underwriting Agreement dated [●] entered into between our Company and our Joint Underwriters for the underwriting of [●] Issue Shares under the Retail Offering. Please refer to Section 4.7 of this Prospectus for the salient terms of the Underwriting Agreement.

15. ADDITIONAL INFORMATION

15.7 MATERIAL LITIGATION

As at the date of this Prospectus, save as disclosed below, our Group is not engaged in any governmental proceedings and / or any material litigation, claim and / or arbitration, whether as plaintiff or defendant, which might materially and adversely affect the financial position or profitability of our Group. Our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or profitability in the 12 months immediately preceding the date of this Prospectus.

15.7.1 Litigation proceeding of our Company and Mega Fortris South Africa

- (i) **Vikela Aluvin (Pty) Limited v. Mega Fortris (Malaysia) Sdn Bhd and Mega Fortris South Africa (Pty) Ltd in the High Court of South Africa (Gauteng Division, Pretoria) Case No.: 98241/2015**
- (ii) **Mega Fortris South Africa (Pty) Ltd v. Vikela Aluvin (Pty) Limited in the High Court of South Africa (Gauteng Division, Pretoria) Case No.: 47744/2016**

Vikela Aluvin (Pty) Limited (“**Plaintiff**”) commenced action proceedings against our Company and Mega Fortris South Africa (collectively, “**Defendants**”) on 8 December 2015 for the alleged wrongful repudiation of the distributorship agreement entered into between the Plaintiff and our Company on 13 February 2014 and to which the Plaintiff allegedly suffered damages in the amount of ZAR18,112,825.00 (equivalent to RM4,564,431.90, computed based on the rate of ZAR1:MYR0.252 as at the LPD).

The Plaintiff’s claim is that our Company, via the distributorship agreement, granted certain exclusive rights to the Plaintiff to promote, market, sell and distribute all ranges of products supplied by our Company (save for tamper evident security bags product range which will be handled on a case-to-case basis) in South Africa and on a non-exclusive basis in other African countries. The distributorship agreement entitled either party to elect to immediately terminate the agreement as per clause 6.2 of the agreement.

On 26 May 2015, the attorneys for the Defendants conveyed by written communication to the attorneys for the Plaintiff on the Defendants’ decision to terminate the Plaintiff’s right to distribute of the product but to which the Plaintiff had responded that such termination was wrongful.

The Plaintiff alleges that it has suffered, as a result of the Defendants’ termination, damages being loss of net profits and reasonable additional costs consequent upon the repudiation and premature termination of the distributorship agreement.

The Defendants counter-argue that they have only terminated the Plaintiff’s exclusive rights of distribution in South Africa (and not the Plaintiff’s non-exclusive rights of distribution) and that the Plaintiff has failed to meet certain obligations such as obligations as contained in clause 2.2(b) of the distributorship agreement. Thus, the Defendants’ termination of the agreement was a result of the breach of contract by the Plaintiff.

The Plaintiff and the Defendants have entered into a settlement agreement on 29 November 2023 (“**Settlement Agreement**”) as full and final settlement of all claims arising from the legal proceedings under Case No.: 98241/2015 and Case No.: 47744/2016.

The notice of withdrawal for legal proceedings under Case No.: 98241/2015 and Case No.: 47744/2016 has been filed on 10 January 2024 following the executing of the Settlement Agreement.

15. ADDITIONAL INFORMATION

15.7.2 Liquidation proceedings and company deregistration process of Mega Fortris South Africa and Mega Fortris Mzansi

- (i) In the ex parte application of Retha Stockhoff N.O and Maryna Estelle Symes N.O in re the estate of Mega Fortris South Africa (Pty) Ltd (in liquidation) in the High Court of South Africa (Gauteng Division, Pretoria) Case No.: 2024-006598
- (ii) In the ex parte application of Maryna Estelle Symes N.O and Punitan Quentin Naidoo N.O in re the estate of Mega Fortris Mzansi (Pty) Ltd (in liquidation) in the High Court of South Africa (Gauteng Division, Pretoria) Case No.: 2024-006586

Both Mega Fortris South Africa and its 60.00%-owned subsidiary, Mega Fortris Mzansi are currently under the process of liquidation in South Africa. The liquidation proceedings of Mega Fortris South Africa and Mega Fortris Mzansi had commenced in February 2021 by special resolutions submitted to the Companies and Intellectual Property Commission of South Africa (“CIPC”) providing for the voluntary winding up of the two companies. The commencement of liquidation was due to the inability of Mega Fortris South Africa and Mega Fortris Mzansi to pay their creditors under the negative economic climate of South Africa.

The amount owed to the creditors by (i) Mega Fortris South Africa was ZAR52,017,432.00 (equivalent to RM13,108,392.86) and (ii) Mega Fortris Mzansi was ZAR703,693.77 (equivalent to RM177,330.83). The equivalent amount in “RM” has been computed based on the rate of ZAR1:MYR0.252 as at the LPD.

Our Group had voluntarily wound up our South African subsidiaries as it was no longer viable to maintain these subsidiaries after taking into consideration the challenging economic climate in South Africa which include fluctuating market demands, escalating operational costs, domestic political uncertainties, impact of COVID-19 and a volatile ZAR/USD exchange rate. Our Group had initiated the proceedings for voluntary winding up to responsibly manage the situation and address creditor claims in an orderly manner.

Subsequently, liquidators of Mega Fortris South Africa and Mega Fortris Mzansi were appointed on 8 July 2021 and 9 February 2022 respectively to, among others, take possession and realise the companies’ assets and apply the proceeds toward the payment of the costs of the liquidation proceedings, and to the creditors in their order of ranking and to thereafter distribute what is left over to the shareholders of these companies.

On 11 December 2023, at our request (being the major creditor of Mega Fortris South Africa) and Mega Fortris South Africa (being the only creditor of Mega Fortris Mzansi), compromise proposals for Mega Fortris South Africa and Mega Fortris Mzansi respectively have been sanctioned and implemented, which entailed the payment of all concurrent creditor claims of these two companies. The legal effect of the sanction is as follows:

- (i) excluding our claim (which we have agreed to forego) all debts owed by Mega Fortris South Africa and Mega Fortris Mzansi have been discharged by the compromise proposal; and
- (ii) all insolvency and liquidation proceedings of these two companies be terminated.

Accordingly, and as a result of the compromise proposals, on 24 January 2024, the liquidators of Mega Fortris South Africa and Mega Fortris Mzansi have filed applications (under Section 354 of the of the South African Companies Act of 1973) to the High Court of South Africa, Gauteng Division, Pretoria (“Court”) to set aside the liquidation proceedings. The hearing date for the Application is fixed on 23 July 2024. Once the liquidation proceedings are set aside, the liquidators will then proceed to apply for the deregistration of the two companies.

15. ADDITIONAL INFORMATION

The solicitors appointed by our Group to report on the liquidation proceedings are of the view that:

- (i) it is unlikely that the liquidation proceedings will result in any adverse impact on our Group as well as Mega Fortris South Africa and Mega Fortris Mzansi (including their directors and shareholders), save for the risks of us not being able to receive payment of claims amounting to ZAR40,819,387.31 (equivalent to RM10,286,485.60) and ZAR660,037.67 (equivalent to RM166,329.49) under the liquidation proceedings. The equivalent amount in "RM" has been computed based on the rate of ZAR1:MYR0.252 as at the LPD;
- (ii) it is unlikely that any personal liability will fall on the directors or officials of Mega Fortris South Africa and Mega Fortris Mzansi; and
- (iii) the High Court of South Africa is likely to grant the applications to set aside the liquidation proceedings as the applications do not prejudice any other creditors and such other creditors are unlikely to oppose to the applications.

15.7.3 Litigation proceeding of our Company, and Lai Gin Nyap ("LGN") and Rightlink Capital Sdn Bhd ("Rightlink")

**High Court of Malaya Suit No. BA-22NCvC-118-03/2023
Dato' Nick Ng and Datuk Adrian Ng v Lai Gin Nyap and Rightlink Capital Sdn Bhd ("Suit 118")**

On 28 March 2023, Dato' Nick Ng and Datuk Adrian Ng filed a lawsuit LGN and Rightlink claiming for:

- (i) a declaration that LGN is personally liable to Dato' Nick Ng and Datuk Adrian Ng in respect of the Put and Call Option Agreement ("**PCOA**") in relation to investment of EDBI in Mega Fortris Global;
- (ii) an order of indemnity in respect of payments made by Dato' Nick Ng and Datuk Adrian Ng to EDBI on the exercise of put option by EDBI pursuant to PCOA; and
- (iii) damages to be assessed as both Dato' Nick Ng and Datuk Adrian Ng have suffered massive loss standing at a minimum of approximately SGD8,000,000.00 (equivalent to RM28,358,400.00, computed based on the middle rate quoted by Bank Negara Malaysia as at the LPD of SGD1:MYR3.5448).

LGN and Rightlink then filed for a counterclaim and included us as one of the defendants ("**Counterclaim**") on the ground that Dato' Nick Ng, Datuk Adrian Ng, Mega Fortris Global, Mega Fortris Capital and us have made representations to LGN and Rightlink (which were then passed on to EDBI, OCBC, LOCAF1 (represented by LOCAH) and Cheng Chi-Chao (collectively, the "**Investors**") who entered into various agreements in respect of investments into Mega Fortris Global), and claims for an indemnity from Dato' Nick Ng, Datuk Adrian Ng, Mega Fortris Global, Mega Fortris Capital and us in respect of all sums that LGN and Rightlink may become liable to Dato' Nick Ng and Datuk Adrian Ng or the Investors in such actions as the Investors may bring against LGN and Rightlink.

15. ADDITIONAL INFORMATION

Separately, there were two earlier two private disputes between Dato' Nick Ng and Datuk Adrian Ng, and LGN and Rightlink, and details are as follows:

(i) Suit No. WA-22NCvC-885-11/2019 ("**Suit 885**")

On 4 December 2019, Rightlink initiated this Suit 885 against Dato' Nick Ng and Datuk Adrian Ng claiming for amounts owing by Dato' Nick Ng and Datuk Adrian Ng under the engagement letters dated 20 June 2016 and 28 November 2016 ("**LOE 2016**"), in which Dato' Nick Ng and Datuk Adrian Ng counterclaimed against Rightlink for misrepresentation and breach of terms under LOE 2016. The LOE 2016 was entered to appoint Rightlink as the arranger to manage the process of obtaining funding required for the acquisition of Mega Bersatu Ltd's 40% equity interest in Mega Fortris by Dato' Nick Ng and Datuk Adrian Ng through a special purpose vehicle.

(ii) WA-22NCvC-886-11/2019 ("**Suit 886**")

On 2 January 2020, Rightlink initiated this Suit 886 against Dato' Nick Ng, Datuk Adrian Ng and Mega Fortris Capital Sdn Bhd claiming for amounts owing under the letter of engagement dated 15 November 2017 ("**LOE 2017**"). In response, Dato' Nick Ng and Datuk Adrian Ng filed for another counterclaim against Rightlink for misrepresentation and breach of terms under LOE 2017. The LOE 2017 was entered into to appoint Rightlink as an adviser in relation to a proposed exercise to explore a group rationalisation exercise and to seek suitable offers for the acquisition of all of the shares in Mega Fortris, Mega Fortris Capital Sdn Bhd and/or an alternative holding company (if any).

Both Suit 885 and Suit 886 are fixed for hearing on 15 July 2024 to 18 July 2024. We were included in the Counterclaim despite our non-involvement in Suit 885 and Suit 886.

The solicitors acting for us were of the view that Suit 885 and Suit 886 are private disputes between Dato' Nick Ng, Datuk Adrian Ng, LGN and Rightlink arising from LOE 2016 and LOE 2017 in which we are not a party of, and the inclusion of us as a party in the Counterclaim is unjustified and an abuse of process.

Accordingly, the solicitors acting for us had filed an application to have the High Court of Malaya to determine summarily the propriety of the addition of us as a party in the Counterclaim given our non-involvement in the above actions as we were not a party to the following:

- (a) Share Purchase Agreements dated 17 January 2019 and 23 January 2019, Share Subscription Agreements dated 17 January 2019 and 23 January 2019 and Shareholders Agreement dated 23 January 2019 which were entered into between Mega Fortris Global, Mega Fortris Capital, LOCAH, OCBC, EDBI, Dato' Nick Ng and Datuk Adrian Ng ("**Agreements**"); or
- (b) the LOE 2016 and LOE 2017 signed between Dato' Nick Ng, Datuk Adrian Ng, LGN and Rightlink.

In addition, the solicitors acting for Dato' Nick Ng and Datuk Adrian Ng were of the view that including us in the Counterclaim is wholly frivolous and without any factual foundation as we were never a party to any Agreements with OCBC, LOCAH and EDBI nor a party to Suit 885 and Suit 886, and there were no basis in fact and in law to include us in the Counterclaim.

Accordingly, the solicitors acting for Dato' Nick Ng and Datuk Adrian Ng had applied for the Counterclaim to be struck out on the basis that LGN and Rightlink were not competent to bring the Counterclaim because they were not parties to the Agreements, and LGN and Rightlink have not suffered any losses. Hence, the Counterclaim was baseless, frivolous, vexatious and abuse of process.

15. ADDITIONAL INFORMATION

Nonetheless, upon hearing the submissions of the solicitors in respect of the applications to exclude us from the Counterclaim and strike out the Counterclaim, the High Court of Malaya had on 27 March 2024 declined both applications with cost in the cause, and directed for defence to Counterclaim to be filed by 19 April 2024. We have instructed our solicitors to file an appeal to the decision.

The solicitors acting for us are of the view that whilst the High Court of Malaya had made a decision on the applications with reference to the restricted jurisdiction for summary determination, the solicitors acting for us maintain that the ultimate case of LGN and Rightlink against us is nevertheless unsustainable as a matter of fact as there is no existing claim by the Investors on those Agreements (let alone a case anchored on alleged historical representations is no longer actionable on its own as they have been merged into those Agreements to be regulated purely between the contracting parties which do not include LGN and Rightlink).

Further, we have ourselves obtained subsequent confirmation from the side of the Investors, namely, OCBC on behalf of OCBC and LOCAH (EDBI has since sold their shares to Ng Brothers Estate) who have confirmed that there is no necessity or reason for OCBC or LOCAH to sue under such of the Agreements involving OCBC and LOCAH against any of the parties to those Agreements let alone LGN and Rightlink.

15.8 CONSENTS

- (i) Our Sole Principal Adviser, Joint Underwriters, Joint Placement Agents, Company Secretaries, Solicitors, Share Registrar and Issuing House have given their respective written consents for the inclusion in this Prospectus of their names and all references in the form and context in which such names appear before the issuance of this Prospectus, and such consents have not subsequently been withdrawn.
- (ii) Our Auditors and Reporting Accountants have given its written consent for the inclusion in this Prospectus of its name, the Accountants' Report and the Reporting Accountants' report on the pro forma consolidated statements of financial position and all references thereto in the form and context in which they are contained in this Prospectus before the issuance of this Prospectus, and such consent has not subsequently been withdrawn.
- (iii) Our IMR has given its written consent for the inclusion in this Prospectus of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus before the issuance of this Prospectus, and such consent has not subsequently been withdrawn.

15. ADDITIONAL INFORMATION

15.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at No.7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Wilayah Persekutuan during normal business hours for a period of six months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report as included in Section 8 of this Prospectus;
- (iii) the Accountants' Report as included in Section 13 of this Prospectus;
- (iv) the Reporting Accountants' report on the pro forma consolidated statements of financial position of our Group as at 30 June 2023 as included in Section 14 of this Prospectus;
- (v) the material contracts referred to in Section 15.6 of this Prospectus;
- (vi) the letters of consent referred to in Section 15.8 of this Prospectus; and
- (vii) the audited financial statements of our Company for the FYE Under Review and the audited financial statements of our Subsidiaries for the FYE Under Review.

16. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

Applications for our IPO Shares will be accepted and closed at the time and date stated as below:

OPENING OF THE APPLICATION PERIOD : 10.00 A.M., [●]

CLOSING OF THE APPLICATION PERIOD : 5.00 P.M., [●]

In the event there is any change to the dates stated above, we will advertise a notice of the change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION

16.2.1 Retail Offering

All Applications must be in accordance with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<u>Types of Application and category of investors</u>	<u>Application Method</u>
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only
Applications by the Eligible Persons	Pink Application Form only

16. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE

16.2.2 Placement

<u>Types of Application and category of investors</u>	<u>Application Method</u>
Institutional and selected investors	Our Joint Placement Agents will contact the selected investors directly. They should follow our Joint Placement Agents' instructions.
Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts will not be accepted** for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Applications by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

16. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE

(iii) You must submit the Applications by using only one of the following methods:

- (a) White Application Form;
- (b) Electronic Share Application; or
- (c) Internet Share Application.

16.3.3 Application by the Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, Issuing House, RHB Investment Bank, participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

16.4 APPLICATIONS BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions printed therein or which are illegible will not be accepted.

The FULL amount payable is RM[●] for each IPO Share.

Payment must be made out in favour of “**TIHH SHARE ISSUE ACCOUNT NO. [●]**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on [●] or by such other time and date specified in any changes to the date and time of closing.

16. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the Application Forms to the Issuing House.

16.5 APPLICATIONS BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

Please refer to the detailed procedures and terms and conditions of Electronic Share Application set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

16.6 APPLICATIONS BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Sdn. Bhd. (formerly known as CGS-CIMB Securities Sdn. Bhd.), Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

Please refer to the detailed procedures and terms and conditions of Internet Share Application set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or

16. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE

- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with **Section 16.9** below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER / UNDERSUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of our IPO shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within one Market Day after the balloting date.

Pursuant to the Listing Requirements, we are required to have at least 25.00% of our Company's issued share capital to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event this requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all the Applications will be returned in full (without interest or any share of revenue or benefits arising therefrom).

In the event of any under-subscription of the Retail Offering, subject to the clawback and reallocation provisions as set out in **Section 4.1.4** of this Prospectus, any of the aforementioned IPO Shares not applied for will then be subscribed by our Joint Underwriters subject to the terms and conditions of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

16. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE

- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary / registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Applications and Internet Share Applications

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the fifth Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot.
- (iv) For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions or Internet Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two Market Days after the final balloting date. The Participating Financial Institutions or Internet Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two Market Days after the receipt of confirmation from the Issuing House.

16. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. (603) 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of our IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, one Market Day after the balloting date.

You may also check the status of your Application, five Market Days after the balloting date by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

We have various licences and permits for our operations in Malaysia and other jurisdictions where we operate. We set out below the details of the major licences, permits and approvals obtained by our Company and material subsidiaries, and the status of compliance of material conditions attached to them as at the LPD.

A. Malaysia

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
1.	Mega Fortris	Majlis Bandaraya Shah Alam	L031110220120001	Industrial licence for the premises situated at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam	15 December 2023 / 31 December 2024	<ol style="list-style-type: none"> The ownership of the licence cannot be assigned. Mega Fortris is not allowed to employ foreign nationals at the licenced premises without a valid permit / working visa issued by the Immigration Department of Malaysia. Mega Fortris shall apply for a licence for management office if there is an office space within the premises. Mega Fortris is not allowed to carry out business activities other than the approved activities stated in the licence. Mega Fortris shall inform Majlis Bandaraya Shah Alam for any change, addition or cessation of business activities in writing. 	Complied

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
2.	Mega Fortris	Majlis Bandaraya Shah Alam	L031114420230006	Industrial licence for the operation of a management office exceeding 300 sq m for the premises situated at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam	8 November 2023 / 31 October 2024	<ol style="list-style-type: none"> The ownership of the licence cannot be assigned. Mega Fortris is not allowed to employ foreign nationals at the licenced premises without a valid permit / working visa issued by the Immigration Department of Malaysia. Mega Fortris shall apply for a licence for management office if there is an office space within the premises. Mega Fortris is not allowed to carry out business activities other than the approved activities stated in the licence. Mega Fortris shall inform Majlis Bandaraya Shah Alam for any change, addition or cessation of business activities in writing. 	Complied

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
3.	Mega Fortris	MBSA	L031111220220001	Business premise licence for the premises situated at No. 27, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam	1 February 2024 / 31 March 2025	<ol style="list-style-type: none"> 1. The ownership of the licence cannot be assigned. 2. Mega Fortris is not allowed to employ foreign nationals at the licenced premises without a valid permit / working visa issued by the Immigration Department of Malaysia. 3. Mega Fortris shall apply for a licence for management office if there is an office space within the premises. 4. Mega Fortris is not allowed to carry out business activities other than the approved activities stated in the licence. 5. Mega Fortris shall inform Majlis Bandaraya Shah Alam for any change, addition or cessation of business activities in writing. 	Complied

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
4.	Mega Fortris	MITI	A018399	Manufacturing licence for the product of security seals at No. 29, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor	Effective from 16 June 2011 with no expiry date	<ol style="list-style-type: none"> MITI and MIDA shall be notified of the sale of shares in Mega Fortris. Mega Fortris shall train its Malaysian employees to ensure that the transfer of technology and expertise can be channelled at all levels of positions. 	Complied
5.	Mega Fortris	SGS United Kingdom Ltd ("SGS")	MY15/05303	ISO 14001:2015 certificate certifying that the management system of Mega Fortris at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor has been assessed and certified as meeting the requirements of ISO 14001:2015 for the design, manufacturing and supply of security seals.	21 June 2022 / 21 June 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
6.	Mega Fortris	SGS	MY17/02454	ISO 17712:2013 certificate certifying that the management system of Mega Fortris at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor has been assessed and certified as meeting the requirements of ISO 17712:2013 for the design and manufacturing of security seals.	15 June 2023 / 14 June 2024	Nil	-
7.	Mega Fortris	SGS	MY15/05290	ISO 9001:2015 certificate certifying that the management system of Mega Fortris at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam, Selangor has been assessed and certified as meeting the requirements of ISO 9001:2015 for the design, manufacturing and supply of security seals.	20 June 2022 / 19 June 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
8.	Mega Fortris	Department of Labour Peninsular Malaysia	Various	Certificates of accommodation granted pursuant to Section 24D(2) of the Employees' Minimum Standards of Housing, Accommodation and Amenities Act 1990 (" EMSHAA ") for various premises used as workers' accommodation.	Valid for three years from various effective dates	<ol style="list-style-type: none"> 1. Not more than six employees shall stay in the prescribed location. 2. Any deduction of salary for rent or charges shall not be more than RM50.00 per month for every employee occupying the accommodation. 3. Employer to report the occupation of the employees in the accommodation within 30 days of their occupation. 4. Employer to report the termination of the accommodation at least 30 days before the date of termination. 	Complied

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
9.	Mega Fortris	Department of Occupational Safety and Health ("DOSH")	PMT-SL/23 385747	Certificate of fitness in accordance with Factories and Machinery Act 1967 ("FMA 1967") and Regulation 10(2) of the Factories and Machinery (Notification, Certificate of Fitness and Inspections) Regulations 1970 ("FAMA Regulations") in respect of an unfired pressure vessel (air vacuum N2 tank) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-
10.	Mega Fortris	DOSH	PMT-SL/23 385745	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of an unfired pressure vessel (air vacuum N2 tank) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
11.	Mega Fortris	DOSH	PMT-SL/23 385744	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of an unfired pressure vessel (air vacuum N2 tank) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-
12.	Mega Fortris	DOSH	PMT-SL/23 385742	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of an unfired pressure vessel (air receiver) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
13.	Mega Fortris	DOSH	PMT-SL/23 385741	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of an unfired pressure vessel (vertical air receiver) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-
14.	Mega Fortris	DOSH	PMT-SL/23 385740	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of an unfired pressure vessel (air) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
15.	Mega Fortris	DOSH	PMT-SL/23 385738	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of an unfired pressure vessel (air) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-
16.	Mega Fortris	DOSH	PMT-SL/23 385737	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of an unfired pressure vessel (air receiver) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
17.	Mega Fortris	DOSH	PMT-SL/23 385736	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of an unfired pressure vessel (air receiver) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-
18.	Mega Fortris	DOSH	PMA-SL/23 385746	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (monorail crane) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
19.	Mega Fortris	DOSH	PMA-SL/23 385743	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (monorail host) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-
20.	Mega Fortris	DOSH	PMA-SL/23 385735	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (single girder overhead travelling crane) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
21.	Mega Fortris	DOSH	PMA-SL/23 385734	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (a shape portal crane) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-
22.	Mega Fortris	DOSH	PMA-SL/23 385733	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (a shape portal crane) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
23.	Mega Fortris	DOSH	PMA-SL/23 385732	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (a shape portal crane) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-
24.	Mega Fortris	DOSH	PMA-SL/23 385731	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (goods hoist) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	27 November 2023 / 26 February 2025	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
25.	Mega Fortris	DOSH	PMA-SL/23 387584	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (overhead travelling crane) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	3 December 2023 / 26 February 2025	Nil	-
26.	Mega Fortris	DOSH	PMA-SL/23 387585	Certificate of fitness in accordance with FMA 1967 and Regulation 10(2) of the FAMA Regulations in respect of a hoisting machine (overhead travelling crane) located at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460, Shah Alam, Selangor.	3 December 2023 / 26 February 2025	Nil	-
27.	Mega Fortris	Fire and Rescue Department of Malaysia	JBPM: SL- 7/1392/2023	Fire certificate in relation to the premises at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam	18 September 2023 / 17 September 2024	Nil	-

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
28.	Mega Fortris	Fire and Rescue Department of Malaysia	JBPM: SL-7/1405/2023	Fire certificate in relation to the premises at No. 56, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor	30 October 2023 / 29 October 2024	Nil	-
29.	Mega Fortris Security Bags	Majlis Bandaraya Shah Alam	L031110220230001	Industrial licence for the premises situated at No. 56, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam	1 February 2024 / 31 March 2025	<ol style="list-style-type: none"> The ownership of the licence cannot be assigned. Mega Fortris Security Bags is not allowed to employ foreign nationals at the licenced premises without a valid permit / working visa issued by the Immigration Department of Malaysia. Mega Fortris Security Bags shall apply for a licence for management office if there is an office space within the premises. Mega Fortris Security Bags is not allowed to carry out business activities other than the approved activities stated in the licence. 	Compiled

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
30.	Mega Fortris Security Bags	Ministry of Home Affairs ("MOHA")	A051162	Printing licence for No. 56, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam	Effective from 18 September 2023 with no expiry date	<p>5. Mega Fortris Security Bags shall inform Majlis Bandaraya Shah Alam for any change, addition or cessation of business activities in writing.</p> <p>1. Mega Fortris Security Bags shall not change the address where the printers are located without the prior consent of the minister.</p> <p>2. The printers shall not be used to print any publications which is detrimental to public order, morality, safety, communications with any country or foreign government or may be against any laws or otherwise prejudices or may prejudice public interest or national interest.</p> <p>3. The licence shall not be transferred, assigned or otherwise placed under the control of anyone else other than Mega Fortris Security Bags without prior approval from MOHA.</p>	Compiled

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
31.	Mega Fortris Security Bags	MITI	A025282	Manufacturing licence for the product of tampered evident bags at No. 56, Jalan Anggerik Mokara 31/47, Seksyen 31, Kota Kemuning, 40460 Shah Alam, Selangor	Effective from 11 September 2023 with no expiry date	<p>4. Mega Fortris Security Bags shall not change any of its directors without prior approval from MOHA.</p> <p>1. MITI and MIDA shall be notified of the sale of shares in Mega Fortris Security Bags.</p> <p>2. Mega Fortris Security Bags shall train its Malaysian employees to ensure that the transfer of technology and expertise can be channelled at all levels of positions.</p> <p>3. Mega Fortris Security Bags shall comply with the capital investment requirements per employee of at least RM140,000.00.</p> <p>4. The total number of full-time employees of Mega Fortris Security Bags shall consist of at least 80.00% Malaysian citizens. The hiring of foreign employees hired through external sources, are subject to current policies.</p>	Compiled

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
32.	Fortrich Manufacturing	Majlis Bandaraya Shah Alam	L031110920230004	Industrial licence for the premises situated at No. 29, Jalan Anggerik Mokara 31/47, Kota Kemuning, Seksyen 31, 40460 Shah Alam	8 November 2023 / 31 October 2024	<ol style="list-style-type: none"> 1. The ownership of the licence cannot be assigned. 2. Fortrich Manufacturing is not allowed to employ foreign nationals at the licenced premises without a valid permit / working visa issued by the Immigration Department of Malaysia. 3. Fortrich Manufacturing shall apply for a licence for management office if there is an office space within the premises. 4. Fortrich Manufacturing is not allowed to carry out business activities other than the approved activities stated in the licence. 5. Fortrich Manufacturing shall inform Majlis Bandaraya Shah Alam for any change, addition or cessation of business activities in writing. 	Compiled

ANNEXURE A - MAJOR LICENCES, PERMITS AND APPROVALS

B. USA

No.	License	Approving authority	Licence / permit / approval / certificate no.	Description of licence / permit / approval / certificate	Effective date / Expiry date	Material conditions	Status of compliance
1.	Mega Fortris Americas	Township of South Brunswick Fire Safety Bureau	23-3491	Fire Safety Permit for Mega Fortris Americas to carry out the activity of "Hazmat (Local Ord Forklift Batt)" at Ridge Rd, No 0174, Ste D South Brunswick, NJ	6 July 2023 / 31 July 2024	This permit must be conspicuously posted at the site for the duration of the activity.	Complied

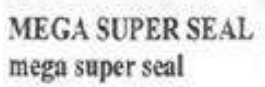
ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

As at the LPD, save for the following trademarks, patents and industrial design, we do not have any brand names, patents, trademarks, licensing agreements, technical assistance agreements, franchises and other intellectual property rights:

A. Trademarks

No.	Trademark	Issuing authority	Registered owner	Trademark number	Validity period	Place of registration	Class / Description of trademark	Status
1.		MyIPO	Mega Fortris	07009667	25 May 2007 to 25 May 2027	Malaysia	Class 6 / Locks, safety locks, seals all made of metal, safes locks of metal for bags, locks of metal for vehicles, locks of metal; other than electric, money boxes of metal, spring locks, boxes (safety cash), lead seals, steel strip, steel wire, stop collars of metal, stops of metal, strap-hinges of metal, strap of metals for handling loads, stretchers for metal bands (tension links); all included in Class 6.	Registered
2.		MyIPO	Mega Fortris	07009668	25 May 2007 to 25 May 2027	Malaysia	Class 6 / Locks, safety locks, seals all made of metal, safes locks of metal for bags, locks of metal for vehicles, locks of metal; other than electric, money boxes of metal, spring locks, boxes (safety cash), lead seals, steel strip, steel wire, stop collars of metal, stops of metal, strap-hinges of metal, strap of metals for handling loads, stretchers for metal bands (tension links); all included in Class 6.	Registered

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No.	Trademark	Issuing authority	Registered owner	Trademark number	Validity period	Place of registration	Class / Description of trademark	Status
3.		MyIPO	Mega Fortris	07009674	25 May 2007 to 25 May 2027	Malaysia	Class 6 / Locks, safety locks, seals all made of metal, safes locks of metal for bags, locks of metal for vehicles, locks of metal; other than electric, money boxes of metal, spring locks, boxes (safety cash), lead seals, steel strip, steel wire, stop collars of metal, stops of metal, strap-hinges of metal, strap of metals for handling loads, stretchers for metal bands (tension links); all included in Class 6.	Registered
4.	MEGA FORTRIS	MyIPO	Mega Fortris	08023622	27 November 2008 to 27 November 2028	Malaysia	Class 6 / Doors seals of metal; lead seals; piston seals of metal; seals (lead); seals (packagings) made of metal; seals of metal for automotive applications; seals of metal for pipes; seals of metal pneumatic suspensions; seals of metal for pressure cookers; seals of metal for preventing leakage of fluids; seals of metal for preventing leakage of gases; seals of metal for shock absorbers; seals of metal for the reduction of friction in metals; seals of metal for use in enamelled pressure vessels; seals of metal for use in glass lined pressure vessels; window seals of metal; all included in Class 6.	Registered

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Trademark	Issuing authority	Registered owner	Trademark number	Validity period	Place of registration	Class / Description of trademark	Status
5.	MEGA FORTRIS	MyIPO	Mega Fortris	08023623	27 November 2008 to 27 November 2028	Malaysia	Class 9 / Apparatus for testing the integrity of sealed packages; edge sealing apparatus (electric) for packing; electronic seals for tamper indication; glass to metal seals being semiconductor components; hermetically sealed boxes for electronics; printed security seals in machine readable form for use with audio cassettes; printed security seals in machine readable form for use with video cassettes; replacement seals for use between lenses and frames; sealed recombination electric storage batteries for use in emergency power applications; sealed recombination electric storage batteries for use in standby power applications; sealing plastics (electrical apparatus for) (packaging); terminations (connections) for sealing electric cables; terminations (connections) for sealing thermocouples; all included in Class 9.	Registered




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No.	Trademark	Issuing authority	Registered owner	Trademark number	Validity period	Place of registration	Class / Description of trademark	Status
6.	MEGA FORTRIS	MyIPO	Mega Fortris	08023624	27 November 2008 to 27 November 2028	Malaysia	Class 16 / Cards embossed or printed with security features for authentication purposes; cards embossed or printed with security features for identification purposes; labels (not magnetic or encoded) for use in marking products for security; printed matter for security purposes; printed matter incorporating security markings and secured to a substrate; printed security seals for use with audio cassettes; printed security seals for use with video cassettes; security papers (not sensitized); security passes (not encoded or magnetic); security tapes (adhesives) (not encoded or magnetic); security tapes (paper) (not encoded or magnetic); security tapes (plastic) (not encoded or magnetic); value cards for security purposes (other than machine readable or magnetic); all included in Class 16.	Registered




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No.	Trademark	Issuing authority	Registered owner	Trademark number	Validity period	Place of registration	Class / Description of trademark	Status
7.	MEGA FORTRIS	MyIPO	Mega Fortris	08023625	27 November 2008 to 27 November 2028	Malaysia	Class 20 / Child resistant security closures (non-metallic) for bottles; child resistant security closures (non-metallic) for containers; security boxes, not of metal; security cabinets (non-metallic) (furniture); security cabinets (furniture); security devices (locks), (non-metallic for vehicles); security locking devices (non-electric, non-metallic) for armoured doors; security locking devices (non-electric, non-metallic) for the doors of safes; security trays, not of metal; security units (furniture) of metal; security units (furniture), not of metal; all included in Class 20.	Registered
8.		MyIPO	Mega Fortris	08023626	27 November 2008 to 27 November 2028	Malaysia	Class 35 / Distribution of security apparatus, security system, security seals, high security seals, seals, cables, locks, straps, padlocks, security boxes, security labels; all included in Class 35.	Registered

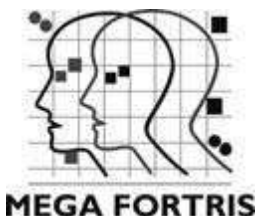
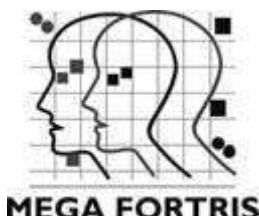
ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Trademark	Issuing authority	Registered owner	Trademark number	Validity period	Place of registration	Class / Description of trademark	Status
9.		MyIPO	Mega Fortris	2015054703	27 March 2015 to 27 March 2025	Malaysia	Class 6 / Locks, safety locks, seals all made of metal, safes locks of metal for bags, locks of metal for vehicles, locks of metal; other than electric, money boxes of metal, spring locks, boxes (safety cash), lead seals, steel strip, steel wire, stop collars of metal, stops of metal, strap-hinges of metal, strap of metals for handling loads, stretchers for metal bands (tension links); all included in Class 6.	Registered
10.		MyIPO	Mega Fortris	2015054711	27 March 2015 to 27 March 2025	Malaysia	Class 35 / Advisory, arranging, management and distribution of security apparatus, security system, security seals, high security seals, seals, cables, locks, straps, padlocks, security boxes, security labels; all included in Class 35.	Registered
11.		MyIPO	Mega Fortris	2015054714	27 March 2015 to 27 March 2025	Malaysia	Class 39 / Advisory services relating to the distribution of goods; Agency services for arranging the transportation of goods; Arrangement for the transportation of goods; Computerised distribution advisory services relating to transport; Import and export cargo handling services; Provision of information relating to the transportation of goods; Tracking and tracing services for goods; all included in Class 39.	Registered

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No.	Trademark	Issuing authority	Registered owner	Trademark number	Validity period	Place of registration	Class / Description of trademark	Status
12.		MyIPO	Mega Fortris	2018050267	5 January 2018 to 5 January 2028	Malaysia	Class 39 / Advisory services relating to the tracking of goods in transit; cargo tracking services; tracking and tracing of shipments; tracking and tracing services for letters and parcels; tracking of passenger or freight vehicles by computer or via GPS; tracking of passenger vehicles by computer or via GPS; all included in Class 39.	Registered
13.		Intellectual Property Office of Singapore	Mega Fortris	1014596	29 May 2009 to 29 May 2029	Singapore	Class 35 / Distribution of security apparatus, security system, security seals, high security seals, seals, cables, locks, straps, padlocks, security box, security labels (not being transport services) (agent, wholesale, representative services, by any means); all included in Class 35.	Registered
14.		Intellectual Property Office of Singapore	Mega Fortris	T0816750B	1 December 2018 to 1 December 2028	Singapore	Class 35 / Distribution of security apparatus, security system, security seals, high security seals, seals, cables, locks, straps, padlocks, security box, security labels (not being transport services) (agent, wholesale, representative services, by any means); all included in Class 35.	Registered

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Trademark	Issuing authority	Registered owner	Trademark number	Validity period	Place of registration	Class / Description of trademark	Status
15.		China National Intellectual Property Administration	Mega Fortris	9092447	7 February 2022 to 6 February 2032	China	Class 35 / Sales promotion of security apparatus, security system, security seals, high security seals, seals, cables, locks, straps, padlocks, security box, security labels (not being transport services) for others; advertising; business consultancy (Professional); outsourcing services (business assistance); business management assistance; licensing of the goods and services of others; Import-export agencies; procurement services for others (purchasing goods and services for other businesses); administrative processing of purchase orders.	Registered
16.		United States Patent and Trademark Office	Mega Fortris	79073362	29 May 2009 to 29 May 2029	United States of America	Class 35 / Wholesale distributorships in the field of security apparatus, security systems, security seals, high security seals, seals, cables, locks, straps, padlocks, security boxes, security labels not being transport services through an agent or using representative services.	Registered

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS**B. Patents**

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
1.	Security Seal	MyIPO	Mega Fortris	MY-155226-A	A security seal is disclosed comprising a grip portion (32) linked by a frangible stem (34) to a barb portion (36) irreversibly insertable into a seal chamber through an aperture. The barb portion (36) comprises a first pair of barbs (40, 42) which tips extending marginally wider than the aperture width, allowing compressive flexure upon insertion past the aperture, and are frangible upon withdrawal. The barb portion (36) further comprises a second pair of barbs (50, 52) above the first pair of barbs which, upon insertion of the first pair of barbs (40, 42) past the aperture, are positioned to block remaining aperture space not already taken up by the security seal. The seal may be used in securely fastening a security device comprising two parts complementarily closing to form a seal chamber in a container or bag whereby the seal is irreversibly inserted through an aperture on the chamber thereby locking the device until the seal is broken.	27 March 2009	27 March 2009 to 27 March 2029

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No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
2.	Tamper-Evident Container	MyIPO	Mega Fortris	MY-157176-A	A tamper-evident container is disclosed comprising a body 10 and a slidable lid 40 complementary to cover body opening 20. The body opening 20 comprises a peripheral flange 12 extending along opposing longitudinal walls of the body 10. The slidable lid 40 comprises a plurality of u-shape flanges 45 slidably fitting over the peripheral flange 12. A locking chamber 33 is complementarily formed by and mutually provided on each of the body 10 and slidable lid upon complete closure of the body opening 20 by the slidable lid 40, whereupon a slot is formed by the complementary matching parts of the container body 10 and lid 40 for insertion of a tamper-evident seal (not shown), such as one with a frangible portion which may be irreversibly inserted through the slot to lock the slidable lid 40 onto the body 10. A plurality of ribs 46 protrudes from the underside of the slidable lid 40 such that upon closure of the opening 20, the ribs 46 are adjacent inside of, or abutting, the body wall. The ribs 46 serve to prevent inward bending or flexure of the wall due to external pressure exerting against the wall in a tampering attempt.	2 April 2009	2 April 2009 to 2 April 2029

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
3.	A Cable Lock and Seal Device	MyIPO	Mega Fortris	MY-183510-A	A cable lock and seal device comprising a body (10) and a cover (20) with which complementarily forms a block enclosing there within a passage (30) and a chamber (50). The body (10) is integral with a base (12) in which one end of a cable (14) may be secured. The other free end of the cable (14) may be inserted into the passage (30) which is preferably curved and traverses the assembled body-and-cover block. The chamber (50) is adapted with a ramp (52) rising towards the passage (30), a slot (54) for retaining a spring (56) which second end is disposed to urge a locking wheel (53) up the ramp (52) against said passage (30). The urging of the locking wheel (53) by the biasing means (56 or 58) up the ramp (52) is restrained when the locking wheel's axle (55) engages a rib (51) on the chamber wall to limit the wheel (53)'s further entry into the passage (30) upon sufficiently engaging said cable (14) and preventing its withdrawal by reversing its insertion.	7 February 2014	23 February 2021 to 7 February 2034

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
4.	A Cable Lock and Seal Device	China National Intellectual Property Administration	Mega Fortris	ZL2015800175475	A cable lock and seal device comprising a body (10) and a cover (20) with which complementarily forms a block enclosing there within a passage (30) and a chamber (50). The body (10) is integral with a base (12) in which one end of a cable (14) may be secured. The other free end of the cable (14) may be inserted into the passage (30) which is preferably curved and traverses the assembled body-and-cover block. The chamber (50) is adapted with a ramp (52) rising towards the passage (30), a slot (54) for retaining a spring (56) which second end is disposed to urge a locking wheel (53) up the ramp (52) against said passage (30). The urging of the locking wheel (53) by the biasing means (56 or 58) up the ramp (52) is restrained when the locking wheel's axle (55) engages a rib (51) on the chamber wall to limit the wheel (53)'s further entry into the passage (30) upon sufficiently engaging said cable (14) and preventing its withdrawal by reversing its insertion.	5 February 2015	5 February 2015 to 5 February 2035

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
5.	Security Seal	Intellectual Property Office of the Philippines Bureau of Patents	Mega Fortris	1-2009-00210	A security seal is disclosed comprising a grip portion (32) linked by a frangible stem (34) to a barb portion (36) irreversibly insertable into a seal chamber through an aperture. The barb portion (36) comprises a first pair of barbs (40,42) which tips extending marginally wider than the aperture width, allowing compressive flexure upon insertion past the aperture, and are frangible upon withdrawal. The barb portion (36) further comprises a second pair of barbs (50,52) above the first pair of barbs, which upon insertion of the first pair of barbs (40,42) past the aperture, are positioned to block remaining aperture space not already taken up by the security seal. The seal may be used in securely fastening a security device comprising two parts complementarily closing to form a seal chamber in a container or bag whereby the seal is irreversibly inserted through an aperture on the chamber thereby locking the device until the seal is broken.	30 June 2009	30 June 2009 to 30 June 2029

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
6.	Tamper-Evident Container	Intellectual Property Office of the Philippines Bureau of Patents	Mega Fortris	1-2009-000209	A tamper-evident container is disclosed comprising a body 10 and a slidable lid 40 complimentary to cover body opening 20. The body opening 20 comprises a peripheral flange 12 extending along opposing longitudinal walls of the body 10. The slidable lid 40 comprises a plurality of U-shape flanges 45 slidably fitting over the peripheral flange 12. A locking chamber 33 is complementarily formed by and mutually provided on each of the body 10 and slidable lid upon complete closure of the body opening 20 by the slidable lid 40, whereupon a slot is formed by the complementary matching parts of the container body 10 and lid 40 for insertion of a tamper-evident seal (not shown), such as one with a frangible portion which may be irreversibly inserted through the slot to lock the slidable lid 40 onto the body 10. A plurality of ribs 46 protrudes from the underside of the slidable lid 40 such that upon closure of the opening 20, the ribs 46 are adjacent inside of, or abutting, the body wall. The ribs 46 serve to prevent inward bending or flexure of the wall due to external pressure exerting against the wall in a tampering attempt.	30 June 2009	30 June 2009 to 30 June 2029

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
7.	Security Seal	The Register of Patents Singapore	Mega Fortris	165217	A security seal is disclosed comprising a grip portion (32) linked by a frangible stem (34) to a barb portion (36) irreversibly insertable into a seal chamber through an aperture. The barb portion (36) comprises a first pair of barbs (40, 42) which tips extending marginally wider than the aperture width, allowing compressive flexure upon insertion past the aperture, and are frangible upon withdrawal. The barb portion (36) further comprises a second pair of barbs (50, 52) above the first pair of barbs which, upon insertion of the first pair of barbs (40, 42) past the aperture, are positioned to block remaining aperture space not already taken up by the security seal. The seal may be used in securely fastening a security device comprising two parts complementarily closing to form a seal chamber in a container or bag whereby the seal is irreversibly inserted through an aperture on the chamber thereby locking the device until the seal is broken.	30 June 2009	30 June 2009 to 30 June 2029

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
8.	Tamper-Evident Container	The Register of Patents Singapore	Mega Fortris	158061	A tamper-evident container is disclosed comprising a body 10 and a slidable lid 40 complementary to cover body opening 20. The body opening 20 comprises a peripheral flange 12 extending along opposing longitudinal walls of the body 10. The slidable lid 40 comprises a plurality of U-shape flanges 45 slidably fitting over the peripheral flange 12. A locking chamber 33 is complementarily formed by and mutually provided on each of the body 10 and slidable lid upon complete closure of the body opening 20 by the slidable lid 40, whereupon a slot is formed by the complementary matching parts of the container body 10 and lid 40 for insertion of a tamper-evident seal (not shown), such as one with a frangible portion which may be irreversibly inserted through the slot to lock the slidable lid 40 onto the body 10. A plurality of ribs 46 protrudes from the underside of the slidable lid 40 such that upon closure of the opening 20, the ribs 46 are adjacent inside of, or abutting, the body wall. The ribs 46 serve to prevent inward bending or flexure of the wall due to external pressure exerting against the wall in a tampering attempt.	30 June 2009	30 June 2009 to 30 June 2029

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
9.	Cable Lock and Seal Device	National Institute of Industrial Property Ministry of Economy of Chile	Mega Fortris	2016001992	The invention relates to a locking and sealing device comprising a body and a cover that complementarily forms a block containing within at least one passage and a chamber wherein said body is integrated with a base in which one end of a cable can be secured, and the other end of the cable is free to be inserted into the passageway; said passage traverses the assembled body-cover block said chamber being adapted with: a ramp that rises towards said passageway; a slot for retaining a first end of a biasing means whose second end is arranged to push; a locking wheel by the ramp against said passage wherein said locking wheel has an axis; a rib is provided on at least one side of the wall of the chamber by which the thrust of the locking wheel by the push means upward from the ramp is restricted when the shaft of the locking wheel is coupled to said rib to limit said locking wheel to enter the passage in sufficiently coupling to said cable and prevent its removal by reversing the insertion thereof.	8 August 2016	8 August 2016 to 5 February 2035

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
10.	Cable Lock and Seal Device	Superintendence of Industry and Commerce Ministry of Industry, Commerce and Tourism of Colombia	Mega Fortris	20160001162	A cable locking and sealing device comprising a body (10) and a cover (20), which complementarily forms a block containing therein a passage (30) and a chamber (50). The body (10) is integrated with a base (12) in which one end of a cable (14) can be attached. The other free end of the cable (14) can be inserted into the passage (30) which is preferably curved and passes through the assembled block of body and cover. The chamber (50) is adapted with a ramp (52) which is raised towards the passage (30), a spring holding groove (54) of a spring (56), wherein the second end is arranged to secure the locking wheel (53) upward in the ramp (52) against said passage (30). The locking larvae pressure (53) by the biasing means (56 or 58) upwardly in the ramp (52) is limited when the locking wheel shaft (55) is engaged with a rib (51) on the wall of the chamber 15 in order to limit one further input of the wheel (53) in the passage (30) sufficiently coupling the cable (14) and preventing its release from being released by means of the reversal of insertion.	25 August 2016	25 August 2016 to 5 February 2035

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
11.	Cable Lock and Seal Device	Registry of Intellectual Property Costa Rica	Mega Fortris	20160390	The invention relates to a cable lock and a seal comprising a body and a cover with complementarily a block enclosing a passage and a chamber (50). The body (10) is integral with a base in which it is attached End of a cable OC the other free end of the cable can be inserted into the passage preferably folded and passes through the block/cover body joined to the chamber (50) , a slot for retaining a spring Whose second end is arranged to press a locking wheel on the ramp (30) (52) against said passage the pressure of the locking wheel by means of the biasing means (56 ou in the ramp is limited when the axis of the locking wheel engages a rib on the wall of the chamber to limit a further entry of the wheel In the step after sufficient coupling of said cable preventing its removal by reversing its insertion.	2 May 2015	2 May 2015 to 2 May 2035

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
12.	Cable Lock and Seal Device	National Service of Intellectual Rights of Ecuador	Mega Fortris	SP201669949	A cable locking and sealing device comprising a body (10) and a cover (20), thereby complementary forming a block containing therein a passage (30) and a chamber (50). The body (10) is integrated with a base (12) in which an end of a cable (14) can be attached. The other free end of the cable (14) can be inserted into the passage (30) which is preferably curved and passes through the assembled block body and cover. The chamber (50) is adapted with a ramp (52) that rises towards the passage (30), a spring holding groove (54) of a spring (56), wherein the second end is arranged to secure the locking wheel (53) upward in the ramp (52) against said passage (30). The pressure of the locking wheel (53) by the biasing means (56 or 58) upward in the ramp (52) is limited when the locking wheel shaft (55) is engaged with a rib (51) on the chamber wall in order to limit one further entry of the wheel (53) into the passage (30) sufficiently coupling the cable (14) and preventing its release from being released by inversion of its insertion.	26 August 2016	Not applicable as the application is under examination.

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No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
13.	Cable Lock and Seal Device	European Patent Office	Mega Fortris	15745948	A cable lock and seal device comprising a body (10) and a cover (20) with which complementarily forms a block enclosing there within a passage (30) and a chamber (50). The body (10) is integral with a base (12) in which one end of a cable (14) may be secured. The other free end of the cable (14) may be inserted into the passage (30) which is preferably curved and traverses the assembled body-and-cover block. The chamber (50) is adapted with a ramp (52) rising towards the passage (30), a slot (54) for retaining a spring (56) which second end is disposed to urge a locking wheel (53) up the ramp (52) against said passage (30). The urging of the locking wheel (53) by the biasing means (56 or 58) up the ramp (52) is restrained when the locking wheel's axle (55) engages a rib (51) on the chamber wall to limit the wheel (53)'s further entry into the passage (30) upon sufficiently engaging said cable (14) and preventing its withdrawal by reversing its insertion.	5 February 2015	5 February 2015 to 5 February 2035

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
14.	Security Seal	Government of the Macao Special Administrative Region - Economic and Technological Development Bureau	Mega Fortris	I/000970	A security seal is disclosed comprising a grip portion (32) linked by a frangible stem (34) to a barb portion (36) irreversibly insertable into a seal chamber through an aperture. The barb portion (36) comprises a first pair of barbs (40, 42) which tips extending marginally wider than the aperture width, allowing compressive flexure upon insertion past the aperture, and are frangible upon withdrawal. The barb portion (36) further comprises a second pair of barbs (50, 52) above the first pair of barbs which, upon insertion of the first pair of barbs (40, 42) past the aperture, are positioned to block remaining aperture space not already taken up by the security seal. The seal may be used in securely fastening a security device comprising two parts complementarily closing to form a seal chamber in a container or bag whereby the seal is irreversibly inserted through an aperture on the chamber thereby locking the device until the seal is broken.	30 July 2009	30 July 2009 to 29 July 2029

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
15.	Cable Lock and Seal Device	Government of the Macao Special Administrative Region - Economic and Technological Development Bureau	Mega Fortris	J/003577	A cable locking and sealing device includes a body (10) and a cover (20), the cover and the body complementarily forming a block enclosing a channel (30) and a chamber (50) inside. The body (10) is integrated with a base (12) in which one end of the cable (14) can be fixed. The other free end of the cable (14) can be inserted into a channel (30) which is preferably bent and traverses the assembled body and cover pieces. The chamber (50) is adapted with a ramp (52) rising towards the channel (30), a slot (54) for a retaining spring (56), the second end of which is arranged to push the locking wheel (53) against Go up the slope (52) by the passage (30). When the locking wheel's axle (55) engages the ribs (51) on the chamber wall, the locking wheel (53) pushed upward along the slope (52) by the biasing device (56 or 58) is restrained, so that when the locking wheel is fully Engages the cable (14) and prevents the wheel (53) from further entering the channel (30) when the cable is withdrawn by reversing its insertion.	8 February 2019	8 February 2019 to 7 February 2039

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
16.	Cable Lock and Seal Device	Instituto Mexicano de la Propiedad Industrial	Mega Fortris	2016010298	A cable lock and seal device comprising a body (10) and a cover (20) with which complementarily forms a block enclosing there within a passage (30) and a chamber (50). The body (10) is integral with a base (12) in which one end of a cable (14) may be secured. The other free end of the cable (14) may be inserted into the passage (30) which is preferably curved and traverses the assembled body-and-cover block. The chamber (50) is adapted with a ramp (52) rising towards the passage (30), a slot (54) for retaining a spring (56) which second end is disposed to urge a locking wheel (53) up the ramp (52) against said passage (30). The urging of the locking wheel (53) by the biasing means (56 or 58) up the ramp (52) is restrained when the locking wheel's axle (55) engages a rib (51) on the chamber wall to limit the wheel (53)'s further entry into the passage (30) upon sufficiently engaging said cable (14) and preventing its withdrawal by reversing its insertion.	8 August 2016	8 August 2016 to 5 February 2035

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
17.	Cable Lock and Seal Device	National Institute for the Defense of Competition and Protection of Intellectual Property of Peru	Mega Fortris	2016001439	A cable lock and seal device comprising a body (10) and a cover (20) with which complementarily forms a block enclosing there within a passage (30) and a chamber (50). The body (10) is integral with a base (12) in which one end of a cable (14) may be secured. The other free end of the cable (14) may be inserted into the passage (30) which is preferably curved and traverses the assembled body-and0cover block. The chamber (50) is adapted with a ramp (52) rising towards the passage (30), a slot (54) for retaining a spring (56) which second end is disposing to urge a locking wheel (53) up the ramp (52) against said passage (30). The urging of the locking wheel (53) by the biasing means (56 or 58) up the ramp (52) is restrained when the locking wheel's axle (55) engages a rib (51) on the chamber wall to limit the wheel (53)'s further entry into the passage (30) upon sufficiently engaging said cable (14) and preventing its withdrawal by reversing its insertion.	5 February 2015	5 February 2015 to 5 February 2035

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
18.	Cable Lock and Seal Device	Companies and Intellectual Property Commission Department of Trade and Industry of South Africa	Mega Fortris	ZA201605484A	A cable lock and seal device comprising a body (10) and a cover (20) with which complementarily forms a block enclosing there within a passage (30) and a chamber (50). The body (10) is integral with a base (12) in which one end of a cable (14) may be secured. The other free end of the cable (14) may be inserted into the passage (30) which is preferably curved and traverses the assembled body-and0cover block. The chamber (50) is adapted with a ramp (52) rising towards the passage (30), a slot (54) for retaining a spring (56) which second end is disposing to urge a locking wheel (53) up the ramp (52) against said passage (30). The urging of the locking wheel (53) by the biasing means (56 or 58) up the ramp (52) is restrained when the locking wheel's axle (55) engages a rib (51) on the chamber wall to limit the wheel (53)'s further entry into the passage (30) upon sufficiently engaging said cable (14) and preventing its withdrawal by reversing its insertion.	8 August 2016	8 August 2016 to 8 August 2034

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

No.	Patent title	Issuing authority	Patent owner / Applicant	Patent / Application No.	Patent abstract	Filing date	Validity period
19.	Cable Lock and Seal Device	United States Patent and Trademark Office	Mega Fortris	15117193	A cable lock and seal device with features preventing the locking mechanism from engaging the cable fibers too tightly to cut or fray is disclosed. A conventional device is made up of a body (10) and a cover (20) halves to complementarily form a block enclosing therewithin a passage (30) and a chamber (50). The body (10) is integrally formed with an anchor block (12) in which one end of a cable (14) is anchored. The other free end of the cable (14) may be inserted into the passage (30) which is preferably curved upward in traversing the assembled body-and-cover block. The chamber (50) is adapted with a ramp (52) rising towards the passage (30), a slot (54) for retaining a spring (56) which second end is disposed to urge a locking wheel (53) up the ramp (52) against the passage (30). The improvement lies in providing a rib (51) along the lower wall of the passage (30) proximal to the top end of the ramp (32) so that the urging of the locking wheel (53) by the biasing means (56 or 58) up the ramp (52) is restrained when the locking wheel's axle (55) engages the rib (51) and limits the wheel (53)'s further entry into the passage (30) upon having sufficiently engage	5 February 2015	5 February 2015 to 5 February 2035

ANNEXURE B - INTELLECTUAL PROPERTY RIGHTS

C. Industrial designs

We are not dependent on following industrial designs as our Group is (i) still able to market or sell our products, and (ii) secure purchase orders and contracts from our customers, without these industrial designs being registered or renewed.

No.	Design	Issuing authority	Proprietor	Registration no.	Validity period	Place of registration
1.	Bolt seal	MyIPO	Mega Fortris	10-01541-0101	8 December 2010 to 8 December 2025	Malaysia
2.	Cable seal	MyIPO	Mega Fortris	10-01542-0101	8 December 2010 to 8 December 2025	Malaysia
3.	Container seal	MyIPO	Mega Fortris	13-E0091-0101	19 June 2013 to 19 June 2028	Malaysia
4.	Tamper-evident box with RFID tag	MyIPO	Mega Fortris	15-E0003-0101	11 July 2014 to 11 July 2024	Malaysia
5.	Tamper-evident box with RFID tag	Intellectual Property Office of Singapore	Mega Fortris	30201500315R	7 January 2015 to 7 January 2025	Singapore
6.	Container seal	Intellectual Property Office of Singapore	Mega Fortris	D20131140J	26 August 2013 to 26 August 2028	Singapore
7.	Carrying Container	Taiwan Intellectual Property office	Mega Fortris	D174672	1 April 2016 to 8 January 2027	Taiwan
8.	Tamper-evident box	IP Australia	Mega Fortris	10069/2015	8 January 2015 to 8 January 2025	Australia
9.	Container seal	Egyptian Patent Office	Mega Fortris	1600/2013	11 December 2013 to 10 December 2028	Egypt

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No.	Design	Issuing authority	Proprietor	Registration no.	Validity period	Place of registration
10.	Locking closing devices or	European Intellectual Property Office	Mega Fortris	002292607	16 August 2013 to 16 August 2024	European Community
11.	Container for conveyance	Japan Patent Office	Mega Fortris	D2014-15223 (1520916)	11 July 2014 to 6 March 2025	Japan
12.	Container of transporting / carrying	Korean Intellectual Property Office	Mega Fortris	30-0842936	9 January 2015 to 9 January 2035	Korea
13.	Safety storagebox	Government of the Macao Administrative, Economic and Technological Development Bureau	Mega Fortris	D/000485	1 August 2008 to 1 August 2024	Macao
14.	Tamper-evident box with RFID tag	Government of the Macao Administrative, Economic and Technological Development Bureau	Mega Fortris	D/001310	6 January 2015 to 6 January 2025	Macao
15.	Container seal	Instituto Mexicano de la Propiedad Industrial	Mega Fortris	MX/f/2013/003255	21 October 2013 to 21 October 2028	Mexico
16.	Tamper-evident box	New Zealand Intellectual Property Office	Mega Fortris	419713	8 January 2015 to 11 July 2024	New Zealand
17.	Container Seal	United States Patent and Trademark Office	Mega Fortris	US D720215	13 September 2013 to 13 September 2027	United States

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No.	Design	Issuing authority	Proprietor	Registration no.	Validity period	Place of registration
18.	Container Seal (Class – 03)	Government of Pakistan, The Patent Office	Mega Fortris	16966-D	10 December 2013 to 19 June 2033	Pakistan
19.	Locking or closing device	United Kingdom Intellectual Office	Mega Fortris	90022926070001	16 August 2013 to 15 August 2028	United Kingdom
20.	Security seal	United Kingdom Intellectual Office	Mega Fortris UK	3005584	23 July 2002 to 23 July 2027	United Kingdom

ANNEXURE C - THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM FOREIGN SUBSIDIARIES UNDER FOREIGN LAW

As at the LPD, save as disclosed below, there are no governmental decrees, regulations or other legislations that may affect the repatriation of capital and the remittance of profits of our material foreign subsidiaries:

A. USA

The imposition of United States of America (“**U.S.**”) withholding tax on repatriation of capital and the remittance of profits from a U.S. company to a Malaysian parent company will depend on the form in which the funds are transferred. Because there is no income tax treaty between the U.S. and Malaysia, no reduced rates or relief is available to the Malaysian parent company.

(i) Tax on interest

Interest paid by a U.S. corporation to a non-U.S. person is generally subject to a 30.00% withholding tax. There is an exemption from the withholding tax for certain “portfolio interest,” however the Malaysian parent company as an owner of 10.00% or more of the voting stock of the U.S. corporation is not eligible for the exemption.

(ii) Tax on dividends

In general, any distributions (including constructive distributions) made by an U.S. corporation to its parent entity, as a non-U.S. holder of shares of its common stock, to the extent paid out of the current or accumulated earnings and profits of the U.S. corporation (as determined under U.S. federal income tax principles), will constitute dividends for U.S. federal income tax purposes and the U.S. corporation will be required to withhold tax from the gross amount of the dividend at a rate of 30.00%. Any distributions in excess of a U.S. company’s earnings and profits are treated as recovery of basis and/or gain and are not subject to withholding tax.

(iii) Tax on capital gain from the sale of shares, redemptions, or share buybacks

There is generally no U.S. withholding tax on any capital gains from the sale of shares, redemptions, or buybacks by a non-U.S. person of shares of a U.S. corporation. A non-U.S. person is generally not subject to U.S. tax on any gain from the sales of shares of a U.S. company, unless the non-U.S. person is engaged in a trade or business in the U.S. or is a U.S. resident. Certain redemptions and share buybacks may be treated as dividends for tax purposes. Under the Foreign Investment in Real Property Tax Act (“**FIRPTA**”) rules, if more than 50.00% of the fair market value of a U.S. corporation’s business assets are U.S. real estate and related assets (“**USRPHC**”), then a non-U.S. person will generally be subject to tax payment and return filing obligations on any gain from the sale of a USRPHC and a withholding tax of 15.00% is imposed on the gross proceeds from any sale, capital transaction, or redemption.

(iv) Tax on royalties

Royalties paid to a non-U.S. person are generally subject to a 30.00% withholding tax.

ANNEXURE C - THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM FOREIGN SUBSIDIARIES UNDER FOREIGN LAW

(v) Tax on purchase of products from a Malaysian company

There is no U.S. withholding tax imposed on the purchase of any goods or services from a Malaysian company.

B. UK

In United Kingdom, the imposition of withholding tax on any repatriation of capital and the remittance of profits from a UK company to a Danish parent company ("**Danish Parent**") will depend on the form in which the funds are transferred.

(i) Tax on interest

Under the domestic laws of United Kingdom, withholding tax is charged at a rate of 20.00% on payments of yearly interest to non-residents. No withholding tax is charged on payments of "short" interest. Broadly, "short" interest is interest on a loan with a term of less than one year.

Under the terms of the UK-Denmark double tax treaty ("**UK DTT**"), where the Danish Parent is the beneficial owner of the income and the other conditions for the application of the treaty are met, any withholding tax liability shall be reduced to zero.

Under Article 11(4) of the UK DTT where there is a special relationship between the payer and the beneficial owner which results in the amount of the interest paid exceeding the amount which would have been agreed by the parties if no such relationship existed, the excess part of the payments shall be taxable according to the laws of each contracting state (i.e., those excess amounts shall not get the benefit of the UK DTT).

Where the Danish Parent receives interest from the company incorporated in England and Wales, Scotland or Northern Ireland and resident for tax purposes in the United Kingdom ("**United Kingdom company**") and that payment has been subject to United Kingdom tax, Denmark allows for a deduction to any Danish tax incurred on the receipt of the interest payment equal to the amount of United Kingdom tax charged and this deduction cannot exceed that amount.

These UK DTT provisions are also broadly mirrored for payments going from a Danish company to a United Kingdom company.

(ii) Tax on dividends

United Kingdom laws do not impose withholding tax on dividend payments apart from distributions of profits derived from real estate by real estate investment trusts, which are subject to withholding tax at 20.00%.

ANNEXURE C - THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM FOREIGN SUBSIDIARIES UNDER FOREIGN LAW

(iii) Tax on capital gains

United Kingdom laws do not impose withholding tax on capital gains. Non-United Kingdom residents may, however, be liable to account for capital gains tax on disposals of interests in United Kingdom land, or of interests in companies that derive their value from interests in United Kingdom land. For the Danish Parent, this will be United Kingdom corporation tax on chargeable gains at a rate of 25.00%.

(iv) Tax on royalties

Under the domestic laws of the United Kingdom, companies making payments of most forms of royalty that arise in the United Kingdom are required to deduct withholding tax at 20.00%.

Under the terms of the UK DTT, where the Danish Parent is the beneficial owner of the royalties and the other conditions for the application of the treaty are met, any withholding tax liability shall be reduced to zero.

The same provisions apply as with interest on excess payments of royalties due to a special relationship between the payer and payee and tax credits. The UK DTT provisions are also broadly mirrored for royalty payments going from a Danish company to a United Kingdom company.

(v) Tax on purchase of products from a Malaysian company

There is no United Kingdom withholding tax imposed on the purchase of any goods or services from a Malaysian company, unless some or all of the consideration for such purchase comprises a royalty as discussed above.

(vi) Tax on sale of shares

No United Kingdom tax should be imposed at a shareholder level on the sale of the United Kingdom company shares by the Danish Parent, unless the United Kingdom company is a "property-rich company". A company is a "property-rich company" if it is an entity that derives at least 75.00% of its gross asset value from interests in land in the United Kingdom. In such a case, where the United Kingdom company is a "property-rich company" and the Danish Parent transfers its shares, any gain that arises on the sale of shares will be subject to United Kingdom corporation tax on chargeable gains at a rate of 25.00%. This will not apply where the property-rich United Kingdom company is trading before and after the transfer of its shares by the Danish Parent and the United Kingdom land is used in the qualifying trade of the United Kingdom company.

ANNEXURE C - THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM FOREIGN SUBSIDIARIES UNDER FOREIGN LAW

An agreement to transfer shares of the United Kingdom company will normally give rise to a charge to stamp duty reserve tax ("**SDRT**") at the rate of 0.50% of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser. Transfers of shares of the United Kingdom company will generally be subject to stamp duty at the rate of 0.50% of the consideration given for the transfer (rounded up to the next £5.00). The purchaser normally pays the stamp duty. If a duly stamped transfer completing an agreement to transfer is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT already paid is generally repayable, normally with interest, and any SDRT charge yet to be paid is cancelled.

United Kingdom laws should not impose any withholding tax on a sale of shares of the United Kingdom company by the Danish Parent.

(vii) Tax on share buyback

If the United Kingdom company buys back its own shares, then stamp duty on shares may be due to HM Revenue & Customs ("**HMRC**") on the total consideration paid by the United Kingdom company to the relevant shareholders at a rate of 0.50%, rounded up to the nearest £5.00. A stamp duty application will need to be submitted to HMRC so that the instrument of transfer (the form SH03) can be stamped by HMRC. Where a subsidiary company purchases some of its own shares from its parent company, relief from the stamp duty charge may be available under group relief provisions, subject to certain conditions.

United Kingdom laws should not impose any withholding tax on a share buyback of the United Kingdom company shares from the Danish Parent.

(viii) Tax on capital reductions

No United Kingdom tax should generally be imposed at a shareholder level or on the United Kingdom company on effecting a capital reduction, provided the capital reduction is implemented by means of a reduction in the nominal value of the United Kingdom company shares. A capital reduction implemented by means of a share cancellation may have alternative consequences. The tax treatment of dividends paid following a capital reduction should be as per section (ii) above.

United Kingdom laws should not impose any withholding tax on the effecting of a capital reduction by the United Kingdom company shares or a subsequent dividend.

Therefore, where United Kingdom withholding tax is payable on interest or royalty payments by a United Kingdom company, less cash will initially be available to the Danish Parent due to the deduction. This however may be mitigated through the use of a deduction from Danish tax on the receipt of the interest payment equal to the amount of withholding tax charged. United Kingdom corporation tax will only be charged on gains accrued on the sale of shares of the United Kingdom company if the United Kingdom company is a "property-rich company". United Kingdom stamp duty or SDRT will be chargeable on the consideration paid by the United Kingdom company to the Danish Parent on a share sale (typically borne by the purchaser) and potentially on a share buyback (payable by the company).

ANNEXURE C - THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM FOREIGN SUBSIDIARIES UNDER FOREIGN LAW

C. Denmark

There are generally no foreign exchange control restrictions imposed under Danish laws and regulations that would restrict or prohibit the repatriation of capital or remittance of profit by a Danish company out of Denmark provided that such transfer is not made to a country or person that is specifically sanctioned and further complies with the relevant corporation and taxation laws and regulations.

(i) Dividends

(a) Corporation rules

Pursuant to Sections 179 to 184 of the Danish Companies Act (No. 470 of 12 June 2009) ("**Danish Companies Act**") any distribution of dividends is subject to the (i) approval by the shareholders at the company's general meeting with simple majority and (ii) amount of dividend may not exceed the amount that has been proposed or approved by the company's board of directors. further, only distributable reserves can be paid as dividends. Distributable reserves consist of retained earnings and distributable reserves under a statute or the company's articles of association. The share capital cannot be paid as dividends.

Further, as a general rule, the board of directors is responsible for ensuring that no distribution of dividends exceeds a reasonable amount, having regard to the company's financial position, including that no distribution is made to the detriment of the company or its creditors.

(b) Tax Rules

Dividends received from Denmark on shares held by a corporate shareholder holding at least 10.00% of the nominal share capital of the issuing company is exempt from Danish tax (including withholding tax) provided the taxation of the dividends is to be waived or reduced in accordance with the Parent-Subsidiary Directive (2011/96/EU) or in accordance with a tax treaty with the jurisdiction in which the parent company is resident. However, the exemption is contingent on the payee being the beneficial owner of the relevant dividend distribution and otherwise are made in compliance with the anti-avoidance rules, primarily the general anti-avoidance rule addressed in section (iv) below.

In relation to dividend payments from Denmark to Malaysia, the Danish-Malaysia double tax treaty states that dividend payment from Denmark to a resident of Malaysia who is subject to Malaysian tax in respect thereof shall be exempt from any tax in Denmark, i.e., such payment is generally exempt from Danish withholding tax provided that the Malaysian parent company is the beneficial owner and subject to Malaysian tax thereof.

It is noted that the above is based on a shareholding of at least 10.00% (as this is a specifically relevant threshold for purposes of dividend payments). Different rules apply if the shareholding is below 10.00%.

ANNEXURE C - THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM FOREIGN SUBSIDIARIES UNDER FOREIGN LAW

(ii) Capital Reduction

(a) Corporation rules

Pursuant to Sections 185 to 194 of the Danish Companies Act, a Danish company may reduce its share capital i.e., for distribution of such share capital to its shareholders for any reason provided that the general share capital requirements are adhered to. Further, certain requirements in relation to allowing creditors to give notice of any claims towards the company applies.

(b) Tax Rule

Generally, distributions deriving from a capital reduction will be treated as dividend distributions in accordance with the rules described for dividend distributions above.

(iii) Share buyback (own shares)

(a) Corporation Rules

Pursuant to chapter 12 of the Danish Companies Act, a Danish company may purchase or redeem shares issued by it provided that the funds used for such share buy-back only derives from the company's distributable reserves and by approval by the shareholders at the company's general meeting with simple majority. Such shares held by the company shall not count towards the general minimum share capital requirements.

(b) Tax Rules

Generally, payments to shareholders in consideration for buyback or redemption of the company's own shares will be treated as dividend distributions in accordance with the rules described for dividend distributions above.

(iv) Sale of shares (capital gains)

Generally, shareholders not resident in Denmark are normally not subject to Danish taxation on any gains realised on the sale of shares to third parties, irrespective of the ownership period, subject to a general anti-avoidance rule which is addressed below and potentially other anti-avoidance rules, depending on the circumstances of the sale. However, if the ownership of the shares is attributable to a foreign company's fixed place of business ("**permanent establishment**") in Denmark, gains on shares could be included in the taxable income of said permanent establishment if the selling entity (the foreign entity) holds less than 10.00% of the share capital in the Danish entity.

ANNEXURE C - THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM FOREIGN SUBSIDIARIES UNDER FOREIGN LAW

Pursuant to the general anti-avoidance rule of Section 3 of the Danish Tax Assessment Act (Consolidated Act no. 42 of 13 January 2023, as amended) ("**Danish Tax Assessment Act**") an arrangement or series of arrangements:

- (a) not entered into for commercial reasons reflecting the underlying economic reality and
- (b) which are implemented for the primary purpose of obtaining, or one of the primary purposes of which is to obtain, a tax benefit which is against the purpose and intent of the tax laws,

should be ignored for purposes of assessing the Danish tax liability.

Therefore, even if a payment is not subject to Danish taxes, e.g., in accordance with rules described for dividends if a shareholder, whether resident in Denmark or not, is considered to have taken part in an arrangement considered abusive in accordance with Section 3 of the Danish Tax Assessments Act, Danish withholding tax could be levied on payments made to such shareholder.

(v) Tax on interest

Withholding tax on interest payments would likely not apply.

Interest paid from a Danish entity to a foreign related entity is subject to 22.00% withholding tax, provided that the debt in question is considered "controlled debt" for Danish tax purposes. Generally, debt is considered "controlled debt" if the lender directly or indirectly controls more than 50.00% of the votes or more than 50.00% of the share capital of the company.

However, the interest withholding tax does not apply if:

- (a) the interest is attributable to a permanent establishment in Denmark,
- (b) the taxation of interest must be waived or reduced under the Interest-Royalty Directive (Council Directive 2003/49/EC of 3 June 2003), and the paying company and the receiving company have been affiliated for a continuing period of not less than one (1) year, and the time of payment is within this period,
- (c) the taxation of interest must be waived or reduced under a tax treaty with the country where the receiving company etc. is resident,
- (d) the receiving company directly or indirectly for a period of not less than one (1) year is controlled by a Danish parent company as defined in Section 31C of the Danish Company Taxation Act,

ANNEXURE C - THE REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT FROM FOREIGN SUBSIDIARIES UNDER FOREIGN LAW

- (e) the receiving company is controlled by a parent company who is a resident in a country which has entered into a tax treaty with Denmark, and may be subject to Controlled Financial Company ("**CFC**") taxation on the interest, or
- (f) the receiving company substantiates that the foreign taxation of the interest payments corresponds to at least three quarters of the Danish corporate tax and it does not forward payments of interest to another foreign company which is taxed on such interest payments at a rate of less than three quarters of the Danish corporate tax rate (i.e. at least 16.50%).

For the exemptions to apply, the lender must be the beneficial owner of the interest in question (i.e. the interest may not be transferred from the lender to another entity). Further, the payable interest must be in compliance with the arm's length principle.

(vi) Tax on royalties

Denmark imposes a 22.00% withholding tax on all types of royalty payments (including one-off payments, credits, etc.) from a Danish entity to a foreign entity. However, this general rule of withholding tax on royalty payments does not apply if:

- (a) the foreign entity receiving the royalties in question conducts business in Denmark through a permanent establishment, and
- (b) the exclusive right for which the royalties are paid for is connected to said foreign entity's permanent establishment in Denmark.

Further, the general rule does not apply if the royalty payments are subject to the Interest-Royalty Directive (Council Directive 2003/49/EC of 3 June 2003) regarding taxation of royalty payments between associated entities within the EU to the extent that the parties have been associated for a minimum of one (1) year prior to the relevant royalty payment. For the avoidance of doubt, withholding tax on royalties may be reduced in accordance with a double tax treaty.

(vii) Tax on purchase of products from a Malaysian company

Generally, Denmark does not impose a special withholding tax on products purchased from a Malaysian company. However, said products might be subject to Value Added Tax ("**VAT**") and certain custom duties, typically between 5.00% and 14.00%. Imported products will generally be subject to import VAT at 25.00%. However, the import VAT will also give rise to a corresponding VAT deduction for the importer, subject to VAT reporting. Custom duties generally apply to imported goods from a non-EU country.

Further, purchases from an affiliated Malaysian company must be in compliance with the arm's length principle and might be subject to certain transfer pricing requirements, e.g., being required to provide transfer pricing documentation to the authority.