

8. IMR REPORT



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21 March 2024

The Board of Directors
Mega Fortris Berhad
29, Jalan Anggerik Mokara 31/47,
Kota Kemuning, Seksyen 31,
40460 Shah Alam
Selangor

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.

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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;

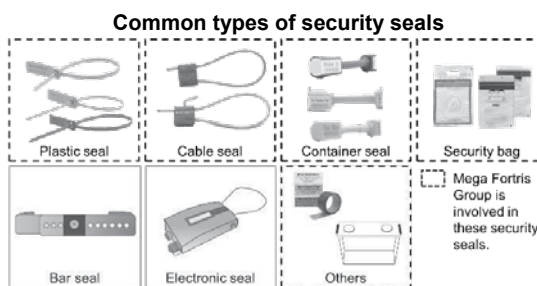
- **security bags** are tamper-evident bags made of mainly polyethylene, that are designed for transporting valuable, dutiable or confidential items such as cash, duty-free goods, important documents, evidence or medical samples;

- **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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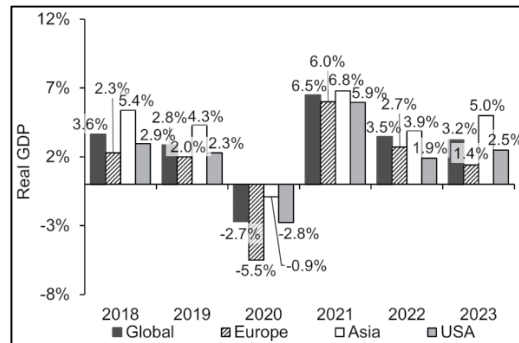


- This section focuses on the demand dependencies of security seals in Europe, Asia and the United States of America (USA), as Mega Fortris Group mainly serves customers in these locations. Europe includes countries in Eastern and Western Europe, while Asia includes countries in Central Asia, East Asia, South Asia and Southeast Asia.

3.1.1 Economic performance of the global economy, Europe, Asia and the USA

- In 2023, the real GDP of the global economy, Europe, Asia and the USA grew by 3.2%, 1.4%, 5.0% and 2.5% respectively.
- Overall in 2023, the global economy remained relatively stable. The slowdown in Europe can be primarily attributed to subdued economic activity, stemming from the ongoing repercussions of the Russian-Ukraine conflict, alongside elevated levels of inflation and interest rates. In the USA, the economy continued to grow amid robust productivity, employment and strong demand. Meanwhile in Asia, growth in the economy was mainly driven by strong domestic demand (Source: Vital Factor analysis).

Real GDP of the global economy, Europe, Asia and the USA



f = forecast.

(Source: Vital Factor analysis)

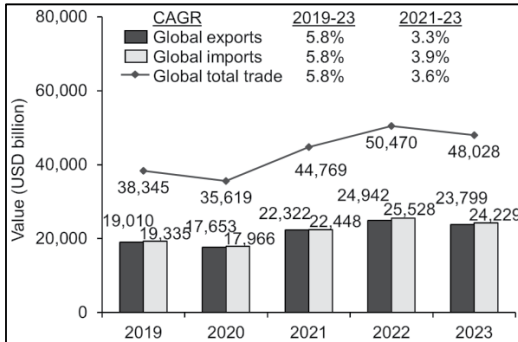
3.1.2 Trade performance of the global economy, Europe, Asia and the USA

- In 2023, the merchandise export value in Europe, Asia and the USA accounted for 36.4%, 35.9% and 8.5% of the global merchandise exports respectively, while the merchandise import value in Europe, Asia and the USA accounted for 36.4%, 32.8% and 13.1% of the global merchandise imports respectively (Source: Vital Factor analysis).
- Between 2021 and 2023, global merchandise exports and imports grew at a CAGR of 3.6%, while Europe, Asia and the USA have been increasing at CAGR of 4.3%, 0.3%, and 5.2% respectively. Overall, in 2023, global merchandise exports and imports declined by 4.8%. Asia experienced the highest decline at 7.1%, followed by the USA and Europe with declines of 4.5% and 3.0% respectively.
- The decline in global trade in 2023 was primarily influenced by diminished demand in developed nations, underperformance in East Asia and Latin American economies, and a decrease in commodity prices, resulting in a contraction of trade of goods. Nevertheless, the global trade of goods indicated signs of recovery in the fourth quarter of 2023 with a quarter-on-quarter growth of 2.7% in global merchandise exports and imports, signalling the end to the decline in the global trade of goods. (Source: Vital Factor analysis)

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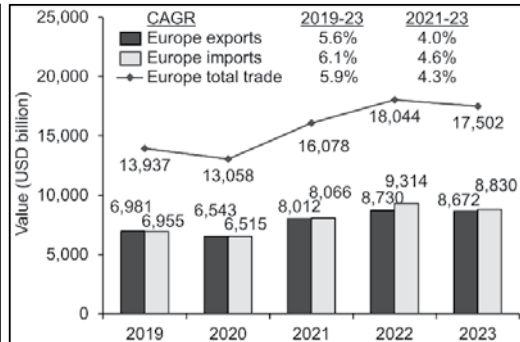


Global merchandise exports and imports



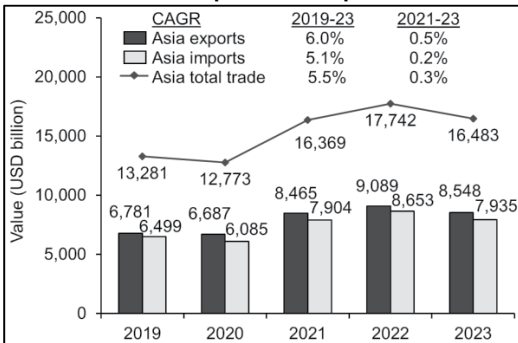
(Source: Vital Factor analysis)

Merchandise exports and imports in Europe



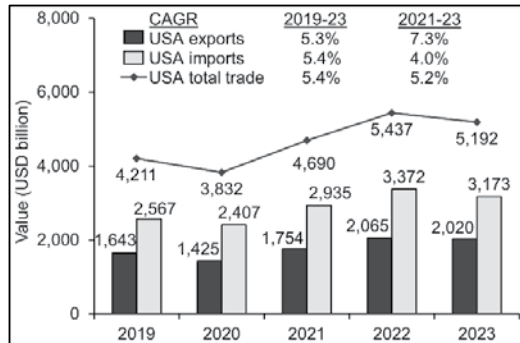
(Source: Vital Factor analysis)

Merchandise exports and imports in Asia



(Source: Vital Factor analysis)

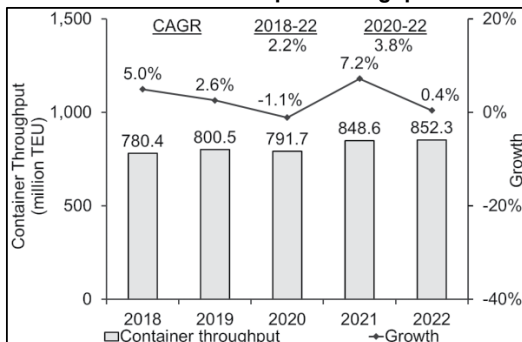
Merchandise exports and imports in the USA



(Source: Vital Factor analysis)

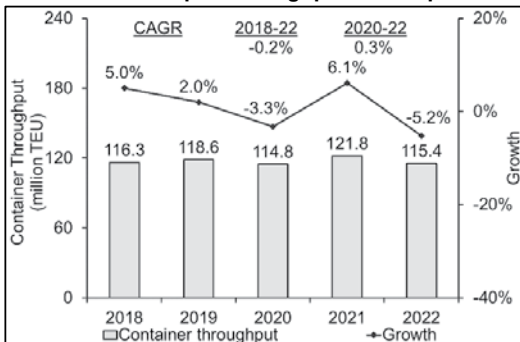
- In 2022, the container port throughput globally, in Asia and the USA experienced moderated growth of 0.4%, 1.8% and 0.1% respectively, while Europe declined by 5.2%.
- The overall moderated growth reflected the normalisation that followed the market surge in 2021. Among the factors that influenced 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



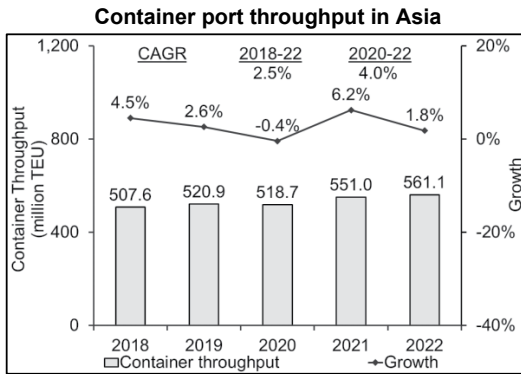
Latest data available. (Source: Vital Factor analysis)

Container port throughput in Europe

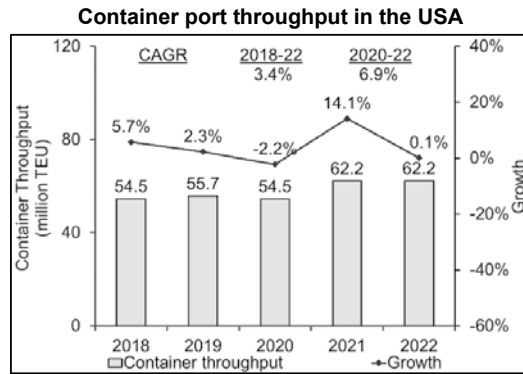


Latest data available. (Source: Vital Factor analysis)

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Latest data available. (Source: Vital Factor analysis)



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 |
| May 2024 | 1.21 | 703 | 3,740 | 5,268 | n.a. |
| 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



(Source: Vital Factor analysis)

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

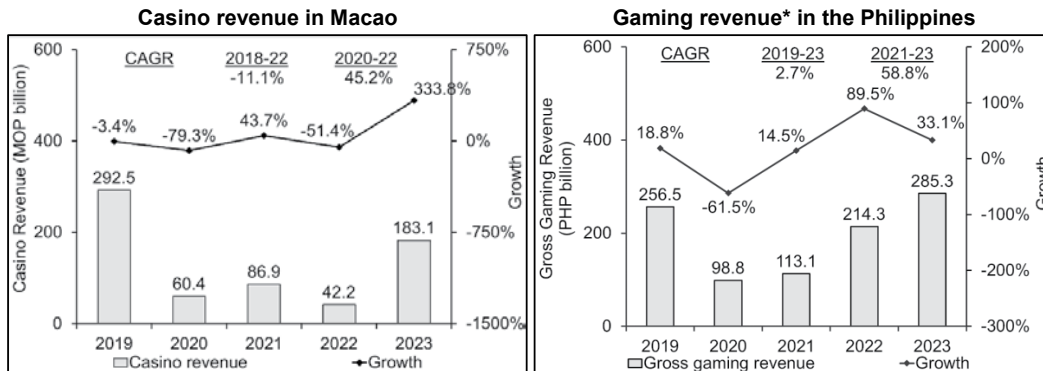
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prompted by the COVID-19 pandemic, combined with the US-China trade war. Following the gradual relaxation of containment measures in various countries, the sea freight rate has been on a decline, before increasing in December 2023 following attacks on ships in the Red Sea. Between January 2024 and May 2024, the sea freight rate experienced fluctuations primarily due to shortage of container capacity coupled with longer transits to avoid 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 (RM103.5 billion at MYR100= MOP176.93) 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.



* 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 2023, the gaming revenue recorded a growth of 33.1% to PHP285.3 billion (RM23.4 billion at PHP100= RM8.1976), which exceeded pre-COVID-19 levels. This was reflected in the increase of 105.4% in the number of tourists in 2023 (Source: *Department of Tourism, Philippines*). 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. In Q1 2024, the gaming revenue in the Philippines grew by 18.5% compared to Q1 2023 (Source: *PAGCOR*).

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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% |
| Envotech Network S/B ⁽⁵⁾ | Jun-23 | 18,498 | 9,030 | 5,976 | 48.8% | 32.3% |
| Wesglow Industries S/B ⁽⁴⁾ | Dec-21 | 17,630 | 6,009 | 2,427 | 34.1% | 13.8% |
| 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 grew by 3.2%, while Europe, Asia and the USA experienced real GDP growth rates of 1.4%, 5.0% and 2.5% 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.