NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SECUREMETRIC BERHAD ("SECUREMETRIC" OR THE "COMPANY") DATED 23 OCTOBER 2018 ("ELECTRONIC PROSPECTUS")

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad's ("**Bursa Securities**") website at www.bursamalaysia.com ("**Website**").

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, TA Securities Holdings Berhad ("**TA Securities**") or Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, TA Securities and Securemetric take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 23 October 2018 and will close at 5.00 p.m. on 30 October 2018.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the Website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

Formula for Strong Digital Security

SECUREMETRIC BERHAD (Company No. 1234029-D)
Level 5-E-6, Enterprise 4, Technology Park Malaysia
Lebuhraya Sg. Besi - Puchong, Bukit Jalil, 57000 Kuala Lumpur, Malaysia.

Phone: +603-8996 8225
Fax: +603-8996 7225
Email: ir@securemetric.com

www.securemetric.com

SECUREMETRIC BERHAD (Company No. 1234029-D)

PROSPECTUS

SECUREMETRIC BERHAD

(Company No. 1234029-D)
(Incorporated in Malaysia under the Companies Act 2016)

PROSPECTUS

THIS PROSPECTUS IS DATED 23 OCTOBER 2018

PUBLIC ISSUE OF 68,000,000 NEW ORDINARY SHARES IN SECUREMETRIC BERHAD ("SHARES") AT AN ISSUE PRICE OF RM0.25 PER SHARE PAYABLE IN FULL ON APPLICATION COMPRISING:

- **17,000,000 SHARES FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- **48,000,000 SHARES FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS; AND**
- **3,000,000 SHARES FOR APPLICATION BY ELIGIBLE EMPLOYEES OF SECUREMETRIC BERHAD AND ITS SUBSIDIARY COMPANIES,**

IN CONJUNCTION WITH THE LISTING OF SECUREMETRIC BERHAD ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Principal Adviser, Sponsor, Underwriter and Placement Agent

TA SECURITIES HOLDINGS BERHAD (14948-M)
(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.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE 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 30.

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SC.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA ("SC"). THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING 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 OR THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, 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.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

Company No. 1234029-D

IMPORTANT NOTICE

RESPONSIBILITY STATEMENTS

Our Directors and Promoters (as defined herein) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. 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.

TA Securities Holdings Berhad ("**TA Securities**"), being our 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 initial public offering ("**IPO**").

STATEMENTS OF DISCLAIMER

This prospectus has been registered by the Securities Commission Malaysia. The approval, and registration of this prospectus, should not be taken to indicate that the Securities Commission Malaysia recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this prospectus. The Securities Commission Malaysia has not, in any way, considered the merits of the securities being offered for investment

The Securities Commission Malaysia is not liable for any non-disclosure on the part of the company and takes no responsibility for the contents of this document, 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.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for our Shares (as defined herein). Admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of the IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part 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.

This Prospectus, together with the application form, has also been lodged with the Companies Commission of Malaysia who takes no responsibility for its contents.

OTHER STATEMENTS

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("CMSA") AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SC.

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

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

This Prospectus has not been 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.

We will not, prior to acting on any acceptance in respect of the 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 therewith.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Principal Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

Further, it shall also be 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 the application forms (as defined herein) and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subject to. We will further assume that you had received this Prospectus and accepted our IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith.

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.

ELECTRONIC PROSPECTUS

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

You are advised that the internet is not a fully secure medium and that your Internet Share Application (as defined herein) is subject to the risks of problems occurring during 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 (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or the integrity of an Electronic Prospectus, you should immediately request from us, our Principal Adviser or the Issuing House, a paper / printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the contents of 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. The Electronic Prospectus submitted to the SC and Bursa Securities is the same as the registered paper / printed copy.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**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 Principal Adviser do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we and our adviser are not responsible for the availability of, or the content or any data, information, files or other material 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 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 your agreements with the Third Party Internet Sites. We and our 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, information, files or other material provided by such parties; and

III. Any data, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our 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, information, files or other material.

IMPORTANT NOTICE (CONT'D)

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 only liable in respect of 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 an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

II. While all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secure medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, 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 an Electronic Prospectus which may arise in connection with or as a result of any faults with web browsers or other relevant software, any faults 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 websites 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.

IF THERE ARE ANY DISCREPANCIES OR INCONSISTENCIES BETWEEN THE ENGLISH AND BAHASA MALAYSIA VERSION OF THIS PROSPECTUS, THE ENGLISH VERSION SHALL PREVAIL.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities are set out below:

Events	Tentative date / time
Issuance of Prospectus / Opening date of applications for our IPO	23 October 2018 / 10.00 a.m.
Closing date of applications for our IPO	30 October 2018 / 5.00 p.m.
Balloting of applications for our IPO	1 November 2018
Allotment of our IPO Shares to successful applicants	12 November 2018
Listing on the ACE Market of Bursa Securities	13 November 2018

The above timetable is subject to changes which may be necessary to facilitate implementation.

Any changes to the timetable will be advertised in a widely-circulated English newspaper and a widely-circulated Bahasa Malaysia newspaper, in Malaysia. Changes to the closing date of the application period will also result in changes to the dates of balloting, allotment and Listing.

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PRESENTATION OF INFORMATION

All references to "our Company" or "Securemetric" in this Prospectus are to Securemetric Berhad, while references to "Securemetric Group" or "our Group" are to our Company and our subsidiary companies. All references to "we", "us", "our" and "ourselves" are to our Company, our Group or any member of our Group as the context requires. Unless the context otherwise requires, references to "Management" are to our Executive Directors and/or key senior management personnel as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to "you" are to our prospective investors.

Any discrepancies in the tables between the amounts listed and the totals thereof in this Prospectus are due to rounding. The word "approximately" used in this Prospectus is to indicate that a number is not exact, but that number is usually rounded off to the nearest hundredth or 2 decimal places.

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" section of this Prospectus. Words denoting the singular will, where applicable, include the plural and vice versa, and words denoting the masculine gender will, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

Any reference in this Prospectus, the Application Forms, Electronic Share Applications or Internet Share Applications to any legislation, statute, statutory provision, rule, regulation or enactment is a reference to that legislation, statute, statutory provision, rule, regulation or enactment for the time being as amended or reenacted, and to any repealed legislation, statute or statutory provision, rule, regulation or enactment which it re-enacts (with or without modification). Any word defined in the Act, CMSA, Listing Requirements or any statutory modification thereof and used in this Prospectus and the Application Forms shall, where applicable and if not otherwise defined herein, have the meaning ascribed to it under the Act, CMSA, Listing Requirements or any statutory modification thereof (as the case may be).

Any reference to a time of day in this Prospectus, the Application Forms, Electronic Share Applications or Internet Share Applications shall be a reference to Malaysian time unless otherwise stated.

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 our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from the IMR Report for inclusion in this Prospectus. We had appointed the IMR to provide an independent market research report relating to the industry which our Group operates in. In compiling data for review, the IMR relied on industry sources, published materials, its own private databanks and direct contacts within the industry. We believe that the statistical data and/or information on the industry cited in this Prospectus are useful in helping you understand the major trends in the industry in which our Group operates. You should not place undue reliance on the statistical data cited in this Prospectus. Similarly, 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 give no assurance that the projected figures will be achieved. Hence, you should not place undue reliance on the third-party projections.

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 it.

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

FORWARD-LOOKING STATEMENTS

Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, 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 our Group will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Some of these 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 solutions, products and services;
ii. our business strategies;
iii. our Management's plans and objectives for future operations;
iv. our financial position; and
v. our future earnings, cash flows and liquidity.

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

i. Changes in economic, political and investment environments in Malaysia and other countries we operate in.
ii. Government policies, legislations and regulations in Malaysia and other countries we operate in.

Additional factors that could cause our actual results, performance, achievements or industry results to differ materially include, but are not limited to those discussed in **Section 4** (Risk factors) and **Section 10.4** (Management's discussion and analysis of financial condition and results of operations and prospects) of this Prospectus. Due to these and other uncertainties, we cannot give any assurance that the forward-looking statements included in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus. We expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regards thereto or any change in events, conditions or circumstances on which any such statement is based.

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DEFINITIONS

Definitions of the following terms in this Prospectus are as set out below:

COMPANIES WITHIN OUR GROUP:

"Securemetric" or "Company"	:	Securemetric Berhad (1234029-D)
"Securemetric Group" or "Group"	:	Securemetric and its subsidiary companies, namely Securemetric Indonesia, Securemetric Malaysia, Securemetric Philippines, Securemetric Singapore, Securemetric Vietnam and Softkey Indonesia
"Securemetric Indonesia"	:	PT Securemetric Technology (Company Registration No. 09.02.1.46.59522)
"Securemetric Malaysia"	:	Securemetric Technology Sdn Bhd (Company No. 759614-V)
"Securemetric Philippines"	:	Securemetric Technology, Inc. (Company Registration No. CS201307904)
"Securemetric Singapore"	:	Securemetric Technology Pte Ltd (Company No. 201528340D)
"Securemetric Vietnam"	:	Securemetric Technology Co., Ltd (Company reference 0103682805)
"Softkey Indonesia"	:	PT Softkey Indonesia (Company Registration No. 09.02.1.46.58901)

GENERAL:

"4M-FPE"	:	4-month financial period ended
"Acquisition of Securemetric Indonesia"	:	Securemetric's acquisition of Securemetric Indonesia's entire issued share capital for a total purchase consideration of RM1,358,000 satisfied through the issuance of 16,975,000 new Securemetric Shares at an issue price of RM0.08 each to the Vendors of Securemetric Indonesia
"Acquisition of Securemetric Malaysia"	:	Securemetric's acquisition of Securemetric Malaysia's entire issued share capital for a total purchase consideration of RM9,916,998 satisfied through the issuance of 123,962,475 new Securemetric Shares at an issue price of RM0.08 each to the Vendors of Securemetric Malaysia
"Acquisition of Securemetric Philippines"	:	Securemetric's acquisition of 99.997% of Securemetric Philippines's issued share capital for a total purchase consideration of RM681,000 satisfied through the issuance of 8,512,500 new Securemetric Shares at an issue price of RM0.08 each to the Vendors of Securemetric Philippines
"Acquisition of Securemetric Singapore"	:	Securemetric's acquisition of Securemetric Singapore's entire issued share capital for a total purchase consideration of RM275,000 satisfied through the issuance of 3,437,500 new Securemetric Shares at an issue price of RM0.08 each to the Vendors of Securemetric Singapore
"Acquisition of Securemetric Vietnam"	:	Securemetric's acquisition of Securemetric Vietnam's entire contributed charter capital of USD100,000 from the Vendors of Securemetric Vietnam for a total cash consideration of USD165,192 (equivalent to RM644,000 at the agreed exchange rate of USD1.00: RM3.89850), followed by the issuance of a total of 8,050,000 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Vietnam
"Acquisition of Softkey Indonesia"	:	Securemetric's acquisition of 80% of Softkey Indonesia's issued share capital for a purchase consideration of RM1,173,000 satisfied through the issuance of 14,662,500 new Securemetric Shares at an issue price of RM0.08 each to the Vendor of Softkey Indonesia

DEFINITIONS (CONT'D)

"Acquisitions" or "Restructuring"	:	Restructuring exercise in connection with the Listing, as set out in **Section 5.4** of this Prospectus, comprising the Acquisition of Securemetric Indonesia, Acquisition of Securemetric Malaysia, Acquisition of Securemetric Philippines, Acquisition of Securemetric Singapore, Acquisition of Securemetric Vietnam and Acquisition of Softkey Indonesia, collectively
"Act"	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
"ADA"	:	Authorised Depository Agent
"Application Forms"	:	Printed application forms to apply for the IPO Shares
"ATM"	:	Automated Teller Machine
"Board"	:	Board of Directors of our Company
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
"CAGR"	:	Compound annual growth rate
"CCM"	:	Companies Commission of Malaysia
"CDS"	:	Central Depository System
"CMSA"	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
"Director"	:	Non-Independent Executive Director or Independent Non-Executive Director of our Company
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Electronic Share Applications"	:	Applications for IPO Shares through Participating Financial Institutions' ATMs
"EPS"	:	Earnings per share attributable to owners of the Company
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ending
"GDP"	:	Gross domestic product
"GP"	:	Gross profit
"GST"	:	Goods and services tax
"ICT"	:	Information and communications technology
"IDR"	:	Indonesian Rupiah
"IFRS"	:	International Financial Reporting Standards
"IMR" or "SMITH ZANDER"	:	SMITH ZANDER INTERNATIONAL SDN BHD (Company No. 1058128-V), our independent market researcher for the purpose of the IPO

DEFINITIONS (CONT'D)

"IMR Report"	:	Independent market research report entitled "Industry Overview of Digital Security and Electronic Identification in Southeast Asia" dated 25 September 2018 prepared by SMITH ZANDER
"Indonesia"	:	Republic of Indonesia
"Initial Public Offering" or "IPO"	:	Initial public offering of the IPO Shares
"Internet Participating Financial Institutions"	:	Participating financial institutions for Internet Share Applications
"Internet Share Applications"	:	Applications for IPO Shares through Internet Participating Financial Institutions
"IPO Shares"	:	New Securemetric Shares to be issued pursuant to the Public Issue
"Issue Price"	:	Issue price of RM0.25 for each IPO Share
"Issuing House" or "MIH"	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
"IT"	:	Information technology
"LAT"	:	Loss after tax
"LBT"	:	Loss before tax
"Listing"	:	Admission into the Official List and listing of and quotation for Securemetric's entire enlarged issued share capital of RM31,048,000 comprising 243,600,000 Shares on the ACE Market of Bursa Securities
"Listing Requirements"	:	ACE Market Listing Requirements issued by Bursa Securities
"LPD"	:	24 September 2018, as the last practicable date before this Prospectus is printed
"Malaysian Public"	:	Malaysian citizens and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
"Market Day"	:	A day on which Bursa Securities is open for trading of securities
"MDEC"	:	Malaysia Digital Economy Corporation Sdn Bhd (Company No. 389346-D)
"MFRS"	:	Malaysian Financial Reporting Standards
"MIDA"	:	Malaysian Investment Development Authority
"MITI"	:	Ministry of International Trade and Industry, Malaysia
"MOF"	:	Ministry of Finance, Malaysia
"MOSTI"		Ministry of Science, Technology and Innovation, Malaysia
"MSC"	:	Multimedia Super Corridor
"NA"	:	Net assets
"Official List"	:	A list specifying all securities which have been admitted for listing on the ACE Market of Bursa Securities and not removed
"OS"	:	Operating system

DEFINITIONS (CONT'D)

"Participating Financial Institutions"	:	Participating financial institutions for Electronic Share Applications
"PAT"	:	Profit after tax
"PBT"	:	Profit before tax
"PE Multiple"	:	Price-to-earnings multiple
"PHP"	:	Philippine Peso
"Philippine National PKI"	:	National digital security initiative in the Philippines that is integrated in the iGovPhil project to ensure secure and reliable online transactions. The iGovPhil program is part of the Philippines Government initiative to improve the processes in Government services to the public and businesses
"Pink Form Allocations"	:	The 3,000,000 IPO Shares reserved for application by eligible employees of our Group
"PPE"	:	Property, plant and equipment
"Promoters"	:	Law Seeh Key, Yong Kim Fui, Nioo Yu Siong and Li Jianjun, collectively
"Public"	:	All persons or members of the public excluding our Directors, our substantial shareholders and any person connected or associated with them (as defined in the Listing Requirements)
"Public Issue"	:	Public issue of 68,000,000 new Shares at the Issue Price
"R&D"	:	Research and development
"RM" or "sen"	:	Ringgit Malaysia and sen, respectively
"SC"	:	Securities Commission Malaysia
"Securemetric Shares" or "Shares"	:	Ordinary shares in Securemetric
"SEA"	:	Southeast Asia comprising Brunei, Burma (Myanmar), Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam
"SGD"	:	Singapore Dollar
"SICDA"	:	Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
"Singapore"	:	Republic of Singapore
"Softkey Malaysia"	:	Softkey E-Solution Sdn Bhd (Company No. 540674-M)
"TA Securities" or "Principal Adviser" or "Sponsor" or "Underwriter" or "Placement Agent"	:	TA Securities Holdings Berhad (Company No. 14948-M)
"The Philippines"	:	Republic of the Philippines
"Underwriting Agreement"	:	Underwriting agreement dated 27 September 2018 entered into between Securemetric and the Underwriter to underwrite 17,000,000 IPO Shares

DEFINITIONS (CONT'D)

"USA"	:	United States of America
"USD"	:	US Dollar
"VAXUCO"		General Import and Export Van Xuan Corporation, the procurement arm of the Ministry of Defence in Vietnam
"Vendors of Securemetric Indonesia"	:	Law Seeh Key (Non-Independent Executive Director and Chief Executive Officer of Securemetric), Li Jianjun and Nioo Yu Siong (Chief Operating Officer of Securemetric), collectively
"Vendors of Securemetric Malaysia"	:	Law Seeh Key (Non-Independent Executive Director and Chief Executive Officer of Securemetric) and Nioo Yu Siong (Chief Operating Officer of Securemetric), collectively
"Vendors of Securemetric Philippines"	:	Law Seeh Key (Non-Independent Executive Director and Chief Executive Officer of Securemetric) and Nioo Yu Siong (Chief Operating Officer of Securemetric), collectively
"Vendors of Securemetric Singapore"	:	Law Seeh Key (Non-Independent Executive Director and Chief Executive Officer of Securemetric) and Nioo Yu Siong (Chief Operating Officer of Securemetric), collectively
"Vendors of Securemetric Vietnam"	:	Law Seeh Key (Non-Independent Executive Director and Chief Executive Officer of Securemetric), Li Jianjun and Nioo Yu Siong (Chief Operating Officer of Securemetric), collectively
"Vendor of Softkey Indonesia"	:	Yong Kim Fui (Non-Independent Executive Director and Chief Financial Officer of Securemetric)
"Vietnam"	:	Socialist Republic of Vietnam
"VND"	:	Vietnamese Dong

TECHNICAL GLOSSARY

This glossary contains explanation of certain terms used throughout this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings usage of these terms.

Algorithms	:	A set of rules to be followed in problem-solving operations by a computer.
Anti-cracking software	:	Software which is integrated with algorithms and mechanisms used for the purpose of preventing unauthorised access.
Appliance	:	A computer designed to perform a specific computing related task, such as security and storage.
Application software	:	Program or a group of programs which is designed for the end users to perform a specific task or function; it is often called end-user programs.
ASEANFIC	:	ASEAN Financial Institution Conference, a conference organised by Securemetric Malaysia to provide an opportunity for banking and financial institutions to keep abreast with latest technological trends.

DEFINITIONS (CONT'D)

Authentication-as-a-service	:	Cloud-based solutions for authentication management system delivered via subscription model.
Authentication management system	:	A software that manages user authentication, where users can login to multiple applications within an organisation using a single sign-on method which may support multi-factor authentication.
Card printer	:	Printer used to print smart cards.
CE marking	:	Registration for products which certifies the products to be in compliance with the relevant European safety, health and environmental requirements. The letters "CE" are the abbreviation of the French phrase "Conformité Européene" which means "European Conformity".
Certification Authority ("CA")	:	An entity entrusted by the relevant regulators/authorities to issue digital certificates.
Certification authority back-end system	:	Application software used by a CA for the process of generating and issuing digital certificates to users.
Challenge Response Algorithms	:	Two-way communication used in an authentication device, where the user is required to key in a correct challenge, i.e a random number, into the device, which will then trigger the device to generate a response, i.e. another number, to authenticate the user access.
Cloud-based	:	Application software hosted on a remote location that can be easily accessed and used anywhere via internet access.
Common Criteria	:	A set of international guidelines and specifications developed for evaluating information security products, specifically to ensure the products meet an agreed-upon security standard for government deployments.
Common Criteria Recognition Arrangement ("CCRA")	:	CCRA is an arrangement in which an IT product that has a Common Criteria certificate can be procured or used worldwide without the need for further evaluation.
Cryptography	:	Method to protect private information by transforming them into unreadable format, to prevent unauthorised parties from accessing the private information.
Cryptography keys	:	A string of bits or a key used by a cryptographic algorithm to transform a piece of plain text information into unreadable format (encryption), or vice versa (decryption).
Decryption	:	A process where information in unreadable format is unscrambled into a readable format after the receiver receives the message.
Device	:	For digital security solutions, a device is an electronic item comprising hardware and software integrated to perform specific functions. For example, software licensing protection dongles, OTP tokens and PKI tokens.

DEFINITIONS (CONT'D)

Digital certificates	:	Very small files that can be stored on a computer, USB token or a device known as a HSM, used in PKI solution to represent the digital identity of the sender, which will enable application software to confirm the sender of data is indeed the source and that the said data has not been tampered with in transit.
Digital signature	:	An electronic authorisation generated by a PKI solution based on sender's digital certificate to authorise an electronic transaction.
Digital Signing-as-a-service	:	Cloud-based solution to enable users to authorises/sign documents electronically over the internet, delivered via a subscription model.
Digital signing software	:	Application software that allows users to authorise/sign electronically via the digital certificates without printing, physically signing and scanning or faxing of the documents.
EAL	:	Evaluation certified under Common Criteria, ranging from EAL 1 to EAL 7.
EEPROM	:	Stands for "electrically erasable programmable read-only memory", being user-modifiable read-only memory (ROM) that allow users to erase and/or reprogram.
EJBCA Enterprise	:	Enterprise Java Beans Certificate Authority, a certification authority back-end system, built using Java technology.
Electronic identification products	:	Hardware that uses electronics (i.e. circuit or devices using transistors, microchips or other related components) to identify objects (e.g. animals, goods, people and vehicles) based on the information stored.
Encryption	:	A process where information is scrambled into an unreadable format before transmission.
FCC marking	:	Certification mark employed on electronic products manufactured or sold in the United States of America which certifies that the electromagnetic interference from the device is under the limits approved by the Federal Communications Commission (FCC).
Federal Information Processing Standard ("FIPS")	:	A set of public standards announced by United States of America's federal government that describes document processing, encryption algorithms and other information technology standards for use within non-military government agencies and by government contractors and vendors who work with the agencies.
FIPS 140-2 validation	:	FIFS 140-2 specifies the security requirements that are to be satisfied by a cryptographic module utilised within a security system protecting sensitive or protection information within computer and telecommunications systems (including voice systems). FIPS 140-2 provides four increasing, qualitative levels of security: Level 1, Level 2, Level 3 and Level 4. Level 1: Defines basic requirement. No physical security required. Level 2: Improves Level 1 by added requirement on tamper evidence. Level 3: Further enhances Level 2 by requiring high possibility of detects and respond to unauthorised access to the critical security parameters. Requires zeroization the plaintext critical security parameters when intrusion detected.

DEFINITIONS (CONT'D)

		Level 4: Highest level. Requires to be able to detect and respond to all unauthorised attempts at physical access. Requires immediate deletion of all plaintext critical security parameters when intrusion detected.
Fast Identity Online ("FIDO")	:	Online authentication standard based on specifications and certifications from the FIDO Alliance.
FIDO Alliance	:	A non-profit organisation formed to address the lack of interoperability among authentication systems as well as the problems internet users face with creating and remembering multiple usernames and passwords for different application software.
FIDO Token	:	Built-in authentication device designed for universal second Factor standard hosted by the FIDO Alliance, a non-profit organisation formed to address the lack of interoperability among authentication devices as well as problems that users face with creating and remembering multiple usernames and passwords.
FIDO U2F	:	Universal second Factor (U2F) standard hosted by the FIDO Alliance.
Firmware	:	Programming that is embedded to a device when it is manufactured, often called "software for device" that allows the device to run.
Hardware	:	For digital security solutions, hardware is the physical component that, together with software, form a device. Hardware and software work together to enable the device to perform its functions. For example, casing for software licensing protection dongles, casing for OTP tokens and casing for PKI tokens.
Hardware Security Module ("HSM")	:	A computer with software that is designed to perform the cryptographic process (e.g. encryption and decryption of messages), and to safeguard the public and private keys.
Internet of things ("IOT")	:	A concept of internet connections embedded in everyday objects, which enables them to transmit data and messages, and allows objects to be controlled or sensed remotely by electronic devices across existing network infrastructure.
Interoperability	:	The ability of different computer systems or software to communicate, understand and make use of information.
Middle/ long range integrated reader	:	Electronic device that reads information stored in a tag between 1-metre and 12-metre distance.
Middleware	:	A software that enables communication and data management between different application software and hardware.
Multi-factor authentication	:	A method of computer access control that supports several types of evidence. A user is authenticated only after successfully showing the required evidence. The types of evidence include what you know (password), what you have (token, mobile apps), who you are (biometric) and where you are (geofencing).

DEFINITIONS (CONT'D)

Open Authentication ("OATH")	:	OATH is a standard, open technology that is available to all, to promote the adoption of strong authentication by all users on all devices across all networks. OATH allows cloud-based application software service provider (e.g. email or social media service provider) to share a user's account information with third parties without exposing the user's login credentials. It works in a way whereby the service provider will notify the user upon receiving a request from a third party to access the user's information and ask whether the user would like to authorise such a request. Once the user approves of the request, the service provider will share the user's information but not their login credentials with the third party.
OTP	:	One-time password, a random number generated when prompted, which is as an additional level of authentication to authenticate the user in a single transaction or task. This random number can be used only once.
OTP token	:	A security device and/or a security application installed in a smart phone that is capable of producing OTP.
Public Key Infrastructure ("PKI")	:	System/technology comprising a set of devices and application software needed to create, manage, distribute, use, store and revoke digital certificates (including the public and private keys).
Public key and private key	:	A pair of cryptographic keys (or long random numbers). The public key is available to everyone via a publicly accessible directory. The private key remains confidential to its owner. They are used to encrypt/decrypt digital content, where anything encrypted with a public key can only be decrypted by its corresponding private key and vice versa.
PKI appliance	:	Physical equipment to house devices and application software required for a PKI solution.
PKI IN A BOX	:	Off-the-shelf PKI solution packaged in a PKI appliance comprising PKI devices (i.e. PKI tokens, PKI appliances and HSMs) and software (i.e. OS, firmware, middleware, application software), PKI token management system and certification authority back-end system). It is equipped with pre-set functionalities and can be deployed faster than a customised PKI solution.
PKI solution	:	Solution which comprises devices and application software to create, manage, distribute, use, store and revoke digital certificates (including public and private keys), which allows users of public networks (such as the Internet) to exchange data securely.
PKI token	:	A USB device used to store digital certificates and/or key pairs which is inserted into a computer to perform PKI activities.
Proximity card	:	Contactless smart card which can be read without inserting or touching the card reader.
QR code	:	Machine-readable code with a matrix of black and white boxes, it is often read by a smart device camera for quick access or authentication.

DEFINITIONS (CONT'D)

Registration authority	:	An authority or an entity that verifies user requests for a digital certificate and informs the Certificate Authority to issue it.
Single Sign-On	:	Login or access method which allows users to access into multiple application software within a network using the same sign-on and security credentials.
Short message service ("SMS") OTP	:	OTP generated and sent to the users' mobile phones via instant messaging as an additional level of authentication.
Software	:	For digital security solutions, software is the digital instructions that are readable by hardware. Hardware and software work together to enable a device to perform its functions. Firmware, middleware and software development kit are types of software.
Software licensing protection	:	Software that prevents unauthorised access, copy, imitation and distribution of the protected software.
Software development kit	:	Software tools used to facilitate the integration of hardware to application software.
Token management system	:	Application software that manages issuance, block/unblock, replacement, and middleware update of a PKI token.
Two-factor authentication ("2FA")	:	An authentication process where two factors of authentication are combined to carry out an electronic transaction. It requires the user's password and username, as well as something that only the user has with him/her, such as a physical token that generates a random number.
Universal second factor ("2UF")	:	An open authentication standard for creating physical authentication tokens that can work across different application software. It aims to strengthen and simplify 2FA.
Ultra-high frequency ("UHF") tag	:	An electronic identification device operating on radio frequencies in the range between 300 megahertz and 3 gigahertz.

EXCHANGE RATES

Unless otherwise stated, the following exchange rates are used throughout this Prospectus. The exchange rates are the average of the middle rates for every month from January 2018 up to the LPD, as sourced from Bank Negara Malaysia's website at www.bnm.gov.my.

RM1 = IDR3,529
RM1 = VND5,732
RM1 = PHP13.18
RM1 = SGD0.3357

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Company No. 1234029-D

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Residential Address	Nationality / Gender	Occupation
Clifton Heath Fernandez (Independent Non-Executive Chairman)	No. 7, Persiaran Seraya Taman Petaling Indah 41200 Klang Selangor Darul Ehsan Malaysia	Malaysian / Male	Company Director of RCERT (SEA) Sdn Bhd
Law Seeh Key (Non-Independent Executive Director)	No. 8, Jalan Prima Saujana 4/2 Taman Prima Saujana, Section 4 43000 Kajang Selangor Darul Ehsan Malaysia	Malaysian / Male	Chief Executive Officer of Securemetric
Yong Kim Fui (Non-Independent Executive Director)	No. 738, Jalan J16 Fasa 6, Taman Melawati 53100 Kuala Lumpur Malaysia	Malaysian / Male	Chief Financial Officer of Securemetric
Shireen Chia Yin Ting (Independent Non-Executive Director)	No. 70, Jalan 14/14 46100 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian / Female	Chief Executive Officer of SCG Advisory Services
Mohamad Rizatuddin Noor Bin Mohamed Ramli (Independent Non-Executive Director)	No. 99, Jalan Sri Tasik Timur Perdana Lakeview East 63000 Cyberjaya Selangor Darul Ehsan Malaysia	Malaysian / Male	Company Director of Nashata Lifestyle Sdn Bhd

AUDIT COMMITTEE

Name	Designation	Directorship
Shireen Chia Yin Ting	Chairperson	Independent Non-Executive Director
Clifton Heath Fernandez	Member	Independent Non-Executive Chairman
Mohamad Rizatuddin Noor Bin Mohamed Ramli	Member	Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship / Designation
Clifton Heath Fernandez	Chairman	Independent Non-Executive Chairman
Shireen Chia Yin Ting	Member	Independent Non-Executive Director
Yong Kim Fui	Member	Non-Independent Executive Director
Nioo Yu Siong	Member	Chief Operating Officer

1. CORPORATE DIRECTORY (CONT'D)

REMUNERATION COMMITTEE

Name	Designation	Directorship
Shireen Chia Yin Ting	Chairperson	Independent Non-Executive Director
Clifton Heath Fernandez	Member	Independent Non-Executive Chairman
Mohamad Rizatuddin Noor Bin Mohamed Ramli	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Mohamad Rizatuddin Noor Bin Mohamed Ramli	Chairman	Independent Non-Executive Director
Clifton Heath Fernandez	Member	Independent Non-Executive Chairman
Shireen Chia Yin Ting	Member	Independent Non-Executive Director

REGISTERED OFFICE	:	Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur, Malaysia Tel: 03-2241 5800 Fax: 03-2282 5022
HEAD / MANAGEMENT OFFICE	:	Level 5-E-6, Enterprise 4, Technology Park Malaysia Lebuhraya Sg. Besi – Puchong, Bukit Jalil 57000 Kuala Lumpur, Malaysia Tel: 03-8996 8225 Fax: 03-8996 7225 Website: www.securemetric.com Email address: ir@securemetric.com
COMPANY SECRETARY	:	Wong Youn Kim (MAICSA 7018778) Level 2, Tower 1, Avenue 5 Bangsar South City 59200 Kuala Lumpur, Malaysia Tel: 03-2241 5800 Fax: 03-2282 5022
AUDITORS AND REPORTING ACCOUNTANTS	:	UHY Chartered Accountants (AF 1411) Suite 11.05, Level 11, The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur, Malaysia Tel: 03-2279 3088 Fax: 03-2279 3099 Partner: Ng Wee Teik

1. CORPORATE DIRECTORY (CONT'D)

SOLICITORS FOR OUR IPO	:	Gary Teh & Ngiam Advocates & Solicitors Unit 1608, 16th Floor, Block A Damansara Intan No. 1, Jalan SS 20/27 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia Tel: 03-7732 9323 Fax: 03-7733 5326
PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	TA Securities Holdings Berhad (14948-M) 32nd Floor, Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur, Malaysia Tel: 03-2072 1277 Fax: 03-2026 0127
INDEPENDENT MARKET RESEARCHER	:	SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V) 15-01, Level 15, Menara MBMR 1, Jalan Syed Putra 58000 Kuala Lumpur, Malaysia Tel: 03-2732 7537 Managing Partner: Dennis Tan Tze Wen
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd (258345-X) Level 6, Symphony House Pusat Dagangan Dana 1, Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan, Malaysia Tel: 03-7841 8289 Fax: 03-7841 8150
SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd (378993-D) Level 6, Symphony House Pusat Dagangan Dana 1, Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan, Malaysia Tel: 03-7849 0777 Fax: 03-7841 8151/8152
PRINCIPAL BANKERS	:	Malayan Banking Berhad (3813-K) No. 7, Jalan Kenari 1, Bandar Puchong Jaya Jalan Puchong 47100 Puchong Selangor Darul Ehsan, Malaysia Tel: 03-5882 0275 Fax: 03-5882 0276 CIMB Bank Berhad (13491-P) T1 Relish Floor, Starhill Gallery 181, Jalan Bukit Bintang 55100 Kuala Lumpur, Malaysia Tel: 03-2145 2576 Fax: 03-2142 2784
LISTING SOUGHT	:	ACE Market of Bursa Securities

1. CORPORATE DIRECTORY (CONT'D)

Professional experience and qualifications of experts whose reports or summaries are included in the Prospectus

UHY CHARTERED ACCOUNTANTS

UHY Chartered Accountants is part of UrbachHacker Young International, an association of independent Accounting and Consulting firms offering, amongst others, audit and assurance services, due diligence, receivership and liquidation, corporate finance, forensic advisory and technical advice.

Ng Wee Teik CA(M), FCCA, CPA(Australia), ATII is the Partner of UHY Chartered Accountants. He qualified as a Chartered Accountant, United Kingdom in 1990 and is now a Fellow Member of the Association of Chartered Certified Accountants (UK). He is a member of the Malaysian Institute of Accountants, an Associate Member of Chartered Taxation Institute of Malaysia and CPA Australia and has more than 28 years' of experience in auditing, taxation and consultancy.

SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER INTERNATIONAL SDN BHD is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Dennis Tan Tze Wen is the managing partner of SMITH ZANDER. Dennis Tan has 20 years of experience in market research and strategy consulting, including over 15 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

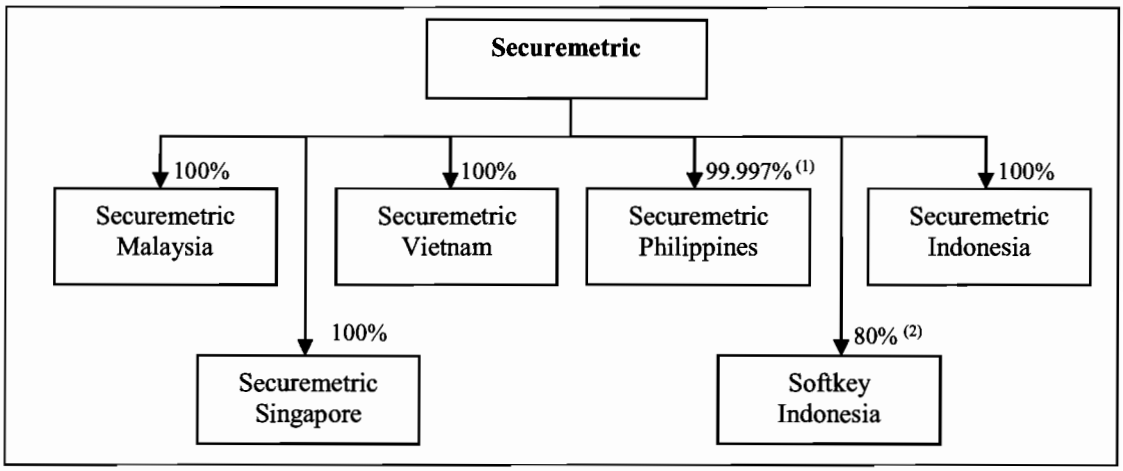
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2. PROSPECTUS SUMMARY

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 ENTIRE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

2.1 Overview

Our Company was incorporated in Malaysia under the Act on 6 June 2017 as a private limited company under the name of Securemetric Sdn Bhd to facilitate our Listing. On 12 September 2017, our Company was converted into a public limited company and assumed its present name of Securemetric Berhad. We entered into conditional sale and purchase agreements for the acquisitions of subsidiary companies as part of the Restructuring as detailed in **Section 5.4** of this Prospectus. Our Group structure is as follows:



Notes:

(1) 3 shares (0.003%) of Securemetric Philippines are held by the following Filipino directors who are not nominees of any other party:

Name	*No. of Shares*	*%*
Aimee Y. Asanza	*1*	*0.001*
Marc Joseph Bautista	*1*	*0.001*
William J. Dimaano	*1*	*0.001*
Total	***3***	***0.003***

Under Section 23 of the Corporation Code of the Philippines, it is mandatory that majority of the directors of a corporation organised and existing under and by virtue of the laws of the Philippines to be residents of the Philippines and every director must own at least 1 share of the corporation of which he/she is a director.

*(2) 20,000 shares (20%) of Softkey Indonesia are held by Leo Nugraha Kusuma, the sole director of Softkey Indonesia and is an Indonesian individual who is not a nominee of any other party. Indonesia's New Negative Investment List issued pursuant to its Presidential Regulation No. 44 of 2016 ("**DNI 2016**") which took effect on 12 May 2016, provides that a company that has business line in "trade distributors that is not affiliated with production", is permitted to have foreign shareholdings of up to 67%. Softkey Indonesia had obtained its Amendment of Principle Licence from Badan Koordinasi Penanaman Modal, being Indonesia's Investment Coordinating Board, for large scale trading business (distributor) and import with a share composition of 80% foreign ownership and 20% local ownership on 20 April 2016 (prior to the implementation of DNI 2016). Pursuant to Article 13 of DNI 2016 with regards to Transitional Provisions, Softkey Indonesia is not required to lower their foreign shareholdings from 80% to 67% as it has obtained its investment licence before the issuance of DNI 2016. As such, the maximum allowable foreign shareholding ownership of Softkey Indonesia is maintained at 80%. Securemetric Indonesia is allowed to have a 100% foreign ownership under its Business Expansion Licence as their business activity is confined to large scale trading business and not as a distributor.*

There are no shareholding restrictions or conditions imposed on Securemetric Singapore and Securemetric Vietnam.

2. PROSPECTUS SUMMARY (CONT'D)

Summary of our business

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

Core solutions and products	• Digital security solutions - Software licensing protection dongles - 2FA - PKI - CENTAGATE® • Electronic identification products • Other related services
Major customer types	Government organisations, financial institutions, public certification authorities, software development companies, IT service providers
Location of operations	Malaysia, Vietnam, the Philippines, Singapore, Indonesia
Key export markets	Vietnam, the Philippines, Indonesia

Securemetric Malaysia was founded in 2007 by Law Seeh Key (our Non-Independent Executive Director and Chief Executive Officer) and Nioo Yu Siong (our Chief Operating Officer), with an aim to position Securemetric Malaysia as a digital security technology company. With this, Securemetric Malaysia ventured into the development of proprietary digital security solutions, instead of relying on digital security products supplied by third party suppliers. This paved the way for us to become a digital security technology company.

Over the years, we evolved from selling third party digital security products to becoming a regional provider of digital security solutions and electronic identification products. Our customers include primarily Government organisations, financial institutions, public certification authorities, software development companies and IT service providers throughout SEA. We also expanded our business operations and formed other Securemetric companies which are incorporated in Vietnam, Indonesia and the Philippines, as well as in Singapore with a virtual office.

Section 5.8 of this Prospectus sets out the business overview and further details of the Group's principal activities.

2.2 Promoters, substantial shareholders, directors and key senior management

The details of our following Promoters, substantial shareholders, Directors and key senior management are set out in **Section 7** of this Prospectus:

Promoters and substantial shareholders	Designation	Nationality	Before IPO Direct		After IPO Direct	
			No. of Shares	%(1)	No. of Shares	%(2)
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer	Malaysian	126,337,605	*71.95*	126,337,605	*51.87*
Nioo Yu Siong	Chief Operating Officer	Malaysian	22,587,895	*12.86*	22,587,895	*9.27*
Yong Kim Fui	Non-Independent Executive Director / Chief Financial Officer	Malaysian	14,662,500	*8.35*	14,662,500	*6.02*
Li Jianjun	None	Chinese	12,012,000	*6.84*	12,012,000	*4.93*
Total			**175,600,000**	***100.00***	**175,600,000**	***72.09***

2. PROSPECTUS SUMMARY (CONT'D)

Notes:

(1) Based on the enlarged number of issued Shares of 175,600,000 Securemetric Shares after the Acquisitions.

(2) Based on the enlarged number of issued Shares of 243,600,000 Securemetric Shares after our IPO.

The Promoters and substantial shareholders do not hold any indirect shareholding in Securemetric Berhad before or after the IPO.

Directors	Directorship/Designation
Clifton Heath Fernandez	Independent Non-Executive Chairman
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer
Yong Kim Fui	Non-Independent Executive Director / Chief Financial Officer
Shireen Chia Yin Ting	Independent Non-Executive Director
Mohamad Rizatuddin Noor Bin Mohamed Ramli	Independent Non-Executive Director

Key senior management	Position
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer
Yong Kim Fui	Non-Independent Executive Director / Chief Financial Officer
Nioo Yu Siong	Chief Operating Officer
Yee Wen Biau	Vice President of Engineering
Mohd Affendi Bin Abdul Razak	Vice President of Project Sales
Yen Chee Khan	Vice President of Product Sales
Tan Yu Win	Vice President of Project Management & Support

2.3 Competitive strengths and advantages

Our following competitive strengths and advantages are detailed in **Section 5.8.11** of this Prospectus:

(i) we have resilient technologies and expertise to adapt our solutions to the changing requirements of the digital security industry;

(ii) our engineering and R&D activities has provided the foundation and platform for our growth and expansion;

(iii) we have proven capabilities in selling our products and solutions to customers overseas;

(iv) we have a wide range of solutions that caters to customers with different levels of digital security requirements;

(v) we have digital security solutions that are certified to international security standards;

(vi) we offer efficient and reliable customer and technical support to our customers via our regional support network;

(vii) we have an experienced and technically strong management team; and

(viii) we are well-positioned for future regional expansion.

2. PROSPECTUS SUMMARY (CONT'D)

2.4 Risk factors

Before investing in our Shares, you should carefully consider the risks faced by our Group, as detailed in **Section 4** of this Prospectus.

In terms of industry-related risks, we need to adapt quickly to latest digital security technological developments so that our solutions and products are up-to-date in order to meet our customers' requirements. Failure to do so will affect our business and this will be magnified in view of the competitive landscape of digital security solutions' industry in Malaysia and the SEA region. We also have to overcome the lack of priority placed by many potential customers on the importance of digital security, and the onus would be on us to create awareness not only on the dangers involved in neglecting such security, but also for us to present to potential customers our ability to provide our solutions. On a related note, the ingrained privacy concerns that most customers possess in relation to their business information have to be assuaged, for us to be able to convince our customers of the need to protect their business information and that we should be the chosen provider to do so. If we are unable to address these industry-related matters, we would be at risk of losing out on revenue and market presence.

In terms of risks related to our business and operations, we are dependent on our Directors, key senior management personnel and technical professionals, particularly Law Seeh Key and Nioo Yu Siong as our co-founders who continue to chart our future strategy. Their importance to the Group is paramount and the loss of the services of these individuals will affect our Group's business and ability to not only secure new business but implement our existing projects. We undertake R&D activities which by their nature do not necessarily yield usable results which are translated into revenue and profit. Nevertheless, R&D activities and investment in them are necessary in order for our Group to move forward. We depend on third party manufacturers for the manufacturing of hardware which is the casings (with printed circuit boards and basis OS) and supplies for third party devices (i.e. HSMs, PKI appliances, electronic identification products), even though not to a critical degree due to the presence of alternative manufacturers and suppliers. As we also operate subsidiaries in other SEA countries, we face risks relating to the economic, political, legal and social environment of these countries. We are required to meet the terms and conditions attached to our licences to operate in these countries, and we need to keep abreast of local developments as well our continued ability to repatriate our funds to Malaysia if we so wish. We are also exposed to foreign currency exchange rate fluctuations as a significant number of our customers are located outside Malaysia.

For risks relating to investment in our Shares, our Promoters and substantial shareholders control a significant portion of our Shares which may result in them being able to influence the voting outcome of certain matters requiring the vote of shareholders. This may be viewed as a risk for our other shareholders. Also, as there is no prior market for our Shares, we therefore have no precedents in terms of trading volumes and share prices, both of which may be volatile.

2.5 Future plans and business strategies

Our Group intends to focus on the following future plans and business strategies for our growth and expansion, as detailed in **Section 5.8.19** of this Prospectus:

(i) we plan to expand our regional offices as we focus our growth on SEA;

(ii) we will continue to expand our presence in the SEA market through increased sales and marketing activities; and

(iii) we will continue to develop new digital security solutions to maintain our growth and sustainability in the industry.

2. PROSPECTUS SUMMARY (CONT'D)

2.6 Operational highlights and milestone events

The key events in our Group's history, as set out in **Section 5.1** of this Prospectus, are as follows:

Year	Operational highlights and milestone events
2001	• Incorporation of Softkey Malaysia to trade third party digital security product namely software licensing protection dongles, and electronic identification products
2006	• Incorporation of Softkey Indonesia
2007	• Incorporation of Securemetric Malaysia, arising from the aim of positioning Securemetric Malaysia as a digital security technology company as Softkey Malaysia was then known in the market as a distributor of third party products • Initiated R&D of our proprietary digital security solutions
2008	• Introduced our proprietary PKI tokens and software licensing protection dongles • Initiated the conversion of Softkey Malaysia's clients (from using third party digital security products) to using our in-house developed digital security solutions • Secured orders to supply PKI tokens to POS Digicert Sdn Bhd • Secured orders to supply software licensing protection dongles to CryptoShop B.V. • Incorporation of Securemetric Indonesia
2009	• Added our 2FA and token management system for PKI into our offerings • Incorporation of Securemetric Vietnam • Secured our first 2FA project, with FPT Information System Corporation in Vietnam
2010	• Initiated R&D on our PKI solutions • Secured our first PKI project, with FPT Information System Corporation
2012	• Collaborated with PrimeKey Solutions AB on a PKI project for Advanced Science and Technology Institute of Philippines to set up the Philippine National PKI
2013	• Incorporation of Securemetric Philippines • Introduced PKI IN A BOX solution
2014	• Initiated the R&D of CENTAGATE®
2015	• Supplied our PKI IN A BOX solution to Philippine Clearing House Corporation • Incorporation of Securemetric Singapore • Received TechnoFund grant from Ministry of Science, Technology and Innovation of Malaysia ("**MOSTI**") for the development and certification of CENTAGATE®
2016	• Following the conversion of our clients from Softkey Malaysia to Securemetric Malaysia, Softkey Malaysia has ceased operation since 1 April 2016 • Secured a CENTAGATE® project with the Bank of the Philippine Islands • Won a tender for a PKI project with General Import and Export Van Xuan Corporation ("**VAXUCO**"), the procurement arm of the Ministry of Defence in Vietnam
2017	• Launched CENTAGATE® BOX • Secured a PKI IN A BOX project with Lazada South East Asia Pte. Ltd. • Secured a PKI project with Raffcomm Technologies Sdn Bhd, a CA in Malaysia, to provide PKI solutions including back-end system and related consultation services

2. PROSPECTUS SUMMARY (CONT'D)

2.7 Financial highlights

2.7.1 Combined statements of profit or loss and other comprehensive income

The following table summarises our Group's combined statements of profit or loss and other comprehensive income for the past 3 FYEs 31 December 2015 - 2017 and 4M-FPEs 30 April 2017 and 30 April 2018, prepared on the assumption that our Group has been in existence throughout the entire period. The financial statements should be read in conjunction with the Reporting Accountants' Report, together with the accompanying notes and assumptions as set out in **Sections 10.2** and **11** of this Prospectus.

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	16,978	24,753	44,767	6,329	6,970
Cost of sales	(7,724)	(11,984)	(23,524)	(3,584)	(2,997)
Gross profit	**9,254**	**12,769**	**21,243**	**2,745**	**3,973**
Other income	616	76	715	68	434
Administrative expenses	(6,807)	(8,457)	(15,501)	(4,324)	(4,740)
Finance costs	(7)	(2)	(255)	(91)	(74)
PBT	**3,056**	**4,386**	**6,202**	**(1,602)**	**(407)**
Taxation	(129)	(48)	(120)	97	(69)
PAT	**2,927**	**4,338**	**6,082**	**(1,505)**	**(476)**
Other comprehensive income					
Available-for-sale financial assets					
- current year/period gain	-	50	136	4	-
Exchange translation differences for foreign operations	296	194	(403)	15	(342)
Financial asset at fair value through other comprehensive income					
- current year/period loss	-	-	-	-	(18)
	296	244	(267)	19	(360)
Total comprehensive income	**3,223**	**4,582**	**5,815**	**(1,486)**	**(836)**
Profit/(Loss) attributable to:					
- Owners of the parent	2,864	4,345	6,016	(1,511)	(490)
- Non-controlling interests	63	(7)	66	6	14
	2,927	**4,338**	**6,082**	**(1,505)**	**(476)**
Total comprehensive income attributable to:					
- Owners of the parent	3,135	4,572	5,780	(1,492)	(827)
- Non-controlling interests	88	10	35	6	(9)
	3,223	**4,582**	**5,815**	**(1,486)**	**(836)**
EBITDA[(1)]	**3,179**	**4,519**	**6,997**	**(1,466)**	**(133)**
GP margin[(2)]	54.5	51.6	47.5	43.4	57.0
PBT/LBT margin[(3)] (%)	18.0	17.7	13.9	(25.3)	(5.8)
PAT/LAT margin[(4)] (%)	16.9	17.6	13.4	(23.9)	(7.0)
Effective tax rate (%)	4.2	1.1	1.9	6.1	-[(5)]

Our revenue for FYE 31 December 2018 may decrease due to the VAXUCO project which has a contract value of RM19.1 million having been completed in October 2017. We have an outstanding order book as at the LPD of RM19.5 million (31 December 2015: RM3.4 million; 31 December 2016: RM19.5 million; 31 December 2017: RM11.2 million).

2. PROSPECTUS SUMMARY (CONT'D)

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Number of Securemetric Shares in issue					
- After Restructuring ('000)	175,600	175,600	175,600	175,600	175,600
- After Restructuring and Public Issue ('000)	243,600	243,600	243,600	243,600	243,600
Basic and diluted EPS[6]					
- After Restructuring[7] (sen)	1.6	2.5	3.4	(0.9)	(0.3)
- After Restructuring and Public Issue[8] (sen)	1.2	1.8	2.5	(0.6)	(0.2)

Securemetric Malaysia, by virtue of its MSC status, was granted pioneer status by MITI under the Promotion of Investment Act, 1986 and has enjoyed full exemption from paying Malaysian income tax on income derived from MSC Malaysia qualifying activities since 6 May 2008 until 5 May 2018, which was the date that the pioneer status has expired. Using Securemetric Malaysia's FYE 31 December 2017 financial results to illustrate the impact of the statutory tax rate of 24% (before adjusting for income tax adjustments such as expenses not deductible for tax purposes (eg: depreciation of PPE, amortisation of development expenditure and professional fees), income not subject to tax (eg: unrealised foreign exchange gain, gain on disposal of PPE and government grant income) and claims of capital allowances for qualifying assets), our Group's PAT would have been reduced by RM1.00 million (from RM6.08 million to RM5.08 million) without the tax exemption.

On 11 August 2015, our Group (via Securemetric Malaysia) obtained a TechnoFund grant of RM2.26 million from MOSTI for the development and certification of CENTAGATE®. The development expenditure incurred for the R&D project began to amortised and deferred capital grant received from MOSTI began to recognised over a period of 5 years starting from FYE 31 December 2017. The grant income received from MOSTI is recognised to match with the amortisation of development expenditure incurred for the R&D project. For illustration purpose and on a yearly basis, without the grant reimbursement from MOSTI, Securemetric Malaysia's PBT would have been reduced by RM0.48 million arising from the amortisation of development expenditure.

Notes:

(1) EBITDA represents earnings before interest, taxation and depreciation.

	Audited			*Unaudited*	*Audited*
	FYE 31 December			*4M-FPE 30 April*	
Reconciliation of PBT to EBITDA	***2015***	***2016***	***2017***	***2017***	***2018***
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
PBT	***3,056***	***4,386***	***6,202***	***(1,602)***	***(407)***
Adjusted for:					
Amortisation expenses	-	-	*483*	-	*161*
Depreciation expenses	*151*	*176*	*203*	*55*	*90*
Interest expenses	*7*	*2*	*255*	*91*	*74*
Interest income	*(35)*	*(45)*	*(146)*	*(10)*	*(51)*
EBITDA	***3,179***	***4,519***	***6,997***	***(1,466)***	***(133)***

(2) GP divided by total revenue.

(3) PBT/LBT divided by total revenue.

(4) PAT/LAT attributable to owners of the parent divided by total revenue.

(5) The Group was in a tax loss position, hence effective tax rate is not applicable.

(6) As at the LPD, there are no potential dilutive instruments issued or to be issued.

(7) Our Group's PAT/LAT attributable to owners of the parent divided by 175,600,000 issued Securemetric Shares, assuming that the Securemetric Group structure exists throughout the entire financial period (i.e. after Restructuring but before Public Issue).

(8) Our Group's PAT/LAT attributable to owners of the parent divided by 243,600,000 issued Securemetric Shares, assuming that the Securemetric Group structure exists throughout the entire financial period (i.e. after Restructuring and Public Issue).

Further information on our Group's historical financial performance are set out in **Sections 10.2, 10.4, 10.5** and **10.6** of this Prospectus.

2.7.2 Pro forma consolidated statements of financial position of our Group

Our pro forma consolidated statements of financial position as at 30 April 2018 have been prepared for illustrative purposes to show the effects after the Restructuring, Public Issue and use of proceeds from our Public Issue. The statements should be read in conjunction with the Accountants' Report (as set out in **Section 11** of this Prospectus) and the notes and assumptions accompanying the pro forma consolidated statements of financial position (as set out in **Section 10.1** of this Prospectus).

	As at 30 April 2018 RM'000	Pro Forma I After Restructuring RM'000	Pro Forma II After Pro Forma I and after Public Issue and use of proceeds RM'000
ASSETS			
Non-current assets			
PPE	-	674	3,474
Development expenditure	-	1,772	1,772
Other investment	-	233	233
Deferred tax assets	-	100	100
Total non-current assets	-	2,779	5,579
Current assets			
Inventories	-	2,189	2,189
Other investments	-	1,000	1,000
Trade receivables	-	4,841	4,841
Other receivables	65	3,770	3,770
Tax recoverable	-	175	175
Fixed deposits with licensed banks	-	4,896	4,896
Cash and bank balances	9	9,827	16,685
Total current assets	74	26,698	33,556
Total assets	**74**	**29,477**	**39,135**
EQUITY AND LIABILITIES			
Equity			
Share capital	*	14,048	30,398^
Reserves	-	(11,400)	(11,400)
Retained earnings	(26)	16,157	11,407
Equity attributable to owners of the parent	(26)	18,805	30,405
Non-controlling interests	-	243	243
Total equity	(26)	19,048	30,648
Non-current liabilities			
Bank borrowings	-	1,800	427
Total non-current liabilities	-	1,800	427

	As at 30 April 2018 RM'000	Pro Forma I After Restructuring RM'000	Pro Forma II After Pro Forma I and after Public Issue and use of proceeds RM'000
Current liabilities			
Trade payables	-	751	751
Other payables	100	7,272	7,272
Bank borrowings	-	569	-
Tax payables	-	37	37
Total current liabilities	100	8,629	8,060
Total liabilities	100	10,429	8,487
Total equity and liabilities	**74**	**29,477**	**39,135**
Number of ordinary shares in issue ('000)	*	175,600	243,600
NA (RM'000)	(26)	18,805	30,405
NA per Share (sen)	(102,380)	10.7	12.5
Total borrowings (RM'000)	-	2,369	427
Gearing (times)	-	0.1	Negligible

Notes:

* *RM2 (comprising 2 Shares, which were subsequently subdivided into 25 Shares on 28 September 2017).*

^ *Expenses totalling RM0.65 million are deemed as directly attributable to the issuance of new Shares pursuant to the IPO and as such has been debited against the share capital in equity under Pro Forma II. This treatment is in accordance with MFRS 132 Financial Instruments: Presentation.*

2.8 Principal IPO statistics

The following principal IPO statistics should be read in conjunction with **Section 3** of our Prospectus:

	No. of Shares	RM
Issued share capital as at the date of this Prospectus	175,600,000	14,048,000
Shares to be issued pursuant to the Public Issue	68,000,000	17,000,000
Enlarged issued share capital upon Listing	243,600,000	31,048,000
Issue Price		0.25
Market capitalisation of our Company upon Listing		60,900,000

2.9 IPO Shares

We are issuing 68,000,000 IPO Shares at the Issue Price of RM0.25 each, in the following allocations:

	Public Issue	
	No. of Shares	% of enlarged no. of Shares
Malaysian Public	17,000,000	7.0
Selected investors (through private placement)	48,000,000	19.7
Eligible employees of our Group	3,000,000	1.2
Total	**68,000,000**	**27.9**

2. PROSPECTUS SUMMARY (CONT'D)

Our Group has not identified the investors (for private placement) as at the date of this Prospectus. The selected investors are expected to be identified by our Group between the opening date and closing date of the application for IPO Shares. The IPO Shares to be made available to these investors will be allocated by the Placement Agent in consultation with the Board and after taking into consideration the background of the investors, sizes of bids, their investment horizons and types of investors.

2.10 Use of proceeds

We intend to raise gross proceeds of RM17,000,000 from our IPO to be used for the following purposes, as detailed in **Section 3.8** of this Prospectus:

	Purpose	Time frame for use of proceeds upon Listing	RM'000	% of total proceeds
(a)	Business expansion	Within 24 months	1,700	10.0
(b)	Development of new digital security solutions	Within 24 months	5,700	33.5
(c)	Repayment of borrowings	Within 24 months	1,942	11.4
(d)	Working capital	Within 24 months	5,158	30.4
(e)	Listing expenses	Within 1 month	2,500	14.7
Total			**17,000**	**100.0**

2.11 Moratorium on our Shares

In compliance with Rule 3.19 of the Listing Requirements, the following moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters, as detailed in **Section 8.2** of this Prospectus:

(i) the moratorium applies to the entire shareholdings of our Promoters for a period of 6 months from the date of admission to the ACE Market of Bursa Securities ("**6-Month Moratorium**");

(ii) upon the expiry of the 6-Month Moratorium, our Promoters' aggregate shareholdings amounting to at least 45% of our enlarged issued share capital of 243,600,000 Shares shall remain under moratorium, for another period of 6 months; and

(iii) our Promoters may thereafter sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of the Shares held under moratorium.

	Under moratorium for the first 6 months after Listing		Under moratorium for the subsequent 6 months	
Promoters	**No. of Shares**	**%**	**No. of Shares**	**%**
Law Seeh Key	126,337,605	*51.87*	78,873,484	*32.38*
Nioo Yu Siong	22,587,895	*9.27*	14,095,955	*5.79*
Yong Kim Fui	14,662,500	*6.02*	9,154,007	*3.76*
Li Jianjun	12,012,000	*4.93*	7,496,554	*3.07*
Total	**175,600,000**	***72.09***	**109,620,000**	***45.00***

2.12 Dividend policy

We have not formulated a dividend policy or pay-out ratio. We may decide to do so in the future. It is our intention to pay dividends to shareholders in the future while retaining adequate reserves for our future growth. However, such dividend payments will depend upon our holding company's income and dividends from our subsidiaries. The payment of dividends by our subsidiaries are in turn dependent on their distributable profits, operating results, financial conditions, capital expenditure plans and other factors that their respective boards of directors deem relevant. Notwithstanding the above, the cash conserved for reinvestment into our Group (instead of being used to pay dividends) is expected to increase the value of our Group and indirectly the shareholders' value of our Company. Further details on dividends in relation to our Group are as set out in **Section 10.8** of this Prospectus.

3. DETAILS OF THE IPO

3.1 Introduction

This Prospectus is dated 23 October 2018. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus and the Application Form with the CCM. The SC and the CCM both do not take any responsibility for the contents of these documents.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a "prescribed security". Consequently, the Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and the rules of Bursa Depository. We will not issue share certificates to successful applicants.

We have obtained the approval of Bursa Securities through its letter dated 4 June 2018 for the admission of our Company to the Official List of the ACE Market of Bursa Securities and for the listing of and quotation for our Shares, including the IPO Shares which are the subject of this Prospectus, on the ACE Market of Bursa Securities. Our Shares will be admitted to the Official List and official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Admission to the Official List is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Pursuant to the Listing Requirements, our Company is required to comply with public spread requirements as determined by Bursa Securities, with our Company required to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 200 public shareholders holding not less than 100 Shares each, upon completion of our IPO and at the time of Listing. Our Company is expected to achieve this at the time of Listing. If this requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full without interest and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

You must have a CDS Account when applying for our IPO Shares. If you are applying by using the Application Form, you should state your CDS Account in the space provided in the Application Form. If you do not presently have a CDS Account, you must open a CDS Account at an ADA before applying for our IPO Shares.

If you are applying by way of Electronic Share Application, you must have a CDS Account and you must furnish your CDS Account number to the Participating Financial Institutions by keying in your CDS Account number when instructions on the ATM screen at which you submit your Electronic Share Application requires you to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

If you are applying by way of Internet Share Application, you must have a CDS Account and an existing account with access to internet financial services with Internet Participating Financial Institutions. You must furnish your CDS Account number to the Internet Participating Financial Institutions by keying your CDS Account number into the online application form. A corporation or institution cannot apply for the IPO Shares by way of Internet Share Application.

You should rely on the information contained in this Prospectus or any Prospectus supplement. Neither we nor any of our advisers has authorised anyone to provide you with the information that is different and which is not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus.

3. DETAILS OF THE IPO (CONT'D)

Nonetheless, if we become aware of any material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of the Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

The distribution of this Prospectus and the sale of our IPO Shares in other jurisdictions outside Malaysia may be restricted by law. If you have come into possession of this Prospectus, we require you to be aware of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation to subscribe for any IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation is not authorised or lawful. This Prospectus shall also not be used to make an offer or invitation of our Shares to any person to whom it is unlawful to do so.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of our Company or our Shares.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND ANY INVESTMENT IN US. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN DOUBT ABOUT THIS PROSPECTUS, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS BEFORE APPLYING FOR OUR SHARES.

3.2 Share capital

	No. of Shares	RM
Issued share capital as at the date of this Prospectus	175,600,000	14,048,000
Shares to be issued pursuant to the Public Issue	68,000,000	17,000,000
Enlarged issued share capital upon Listing	243,600,000	31,048,000
Issue Price		0.25
Market capitalisation of our Company based on the Issue Price and enlarged issued Shares upon Listing		60,900,000

Based on the Issue Price and our enlarged 243,600,000 issued Securemetric Shares, our market capitalisation will be RM60,900,000 upon Listing. The Issue Price is payable in full upon application, subject to the terms and conditions of this Prospectus. The board lot size of our share capital upon Listing will be standardised at 100 units per board lot.

As at the LPD, our Company has a single class of shares, namely ordinary shares.

The IPO Shares will, upon allotment, rank *pari passu* in all respects with one another and all other existing issued Shares, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of the IPO Shares.

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders shall, in proportion to the capital on the Shares held by them, be entitled to share in whole of the profits paid out by us in the form of dividends and other distributions. In the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital at the commencement of the liquidation, in accordance with our Constitution and the provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each shareholder present either in person, by proxy, by attorney or other duly authorised representative shall have one vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have one vote for each Share held.

There are no limitations on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by the constituent documents of our Company.

3.3 Objectives of our IPO

The objectives of our IPO are as follows:

(i) to enable our Group to gain access to the capital market to raise funds for our Group to pursue growth opportunities, business expansion and for the purposes set out in **Section 3.8** of this Prospectus;

(ii) to gain recognition and enhance the profile of our Group as well as increase market awareness of our Group's solutions, products and services; and

(iii) to enable investors to participate in the equity and growth of our Group.

3.4 Particulars of our IPO

3.4.1 IPO Shares

Our Company is issuing 68,000,000 IPO Shares at the Issue Price, representing approximately 27.9% of the enlarged total number of issued Shares, to be allocated in the following manner:

(i) Malaysian Public via balloting ("Public Tranche")

17,000,000 IPO Shares (representing 7.0% of the enlarged total number of issued Shares) will be made available for application by the Malaysian Public through a balloting process, of which at least 50% is to be set aside for Bumiputera investors.

(ii) Private placement to selected investors ("Placement Tranche")

48,000,000 IPO Shares (representing approximately 19.7% of the enlarged total number of issued Shares) are reserved for private placement to selected investors. Our Company has not identified any selected investors as at the date of this Prospectus. The selected investors are expected to be identified by our Group between the opening date and closing date of the application for IPO Shares. The IPO Shares to be made available to these investors will be allocated by the Placement Agent in consultation with the Board and after taking into consideration the background of the investors, sizes of bids, their investment horizons and types of investors.

(iii) Eligible employees of our Group

3,000,000 IPO Shares (being Pink Form Allocations), representing approximately 1.2% of the enlarged total number of issued Shares, are reserved for application by our Group's eligible employees, numbering 85 persons as at the LPD. Our Group's eligible employees must meet the eligibility criteria as approved by our Board, including being full-time and confirmed employees on the payroll of our Group. The number of IPO Shares allocated to the eligible employees will be based on their positions and lengths of service, as decided by our Board. The eligible employees include our key senior management, as set out in **Section 7.4.1** of this Prospectus, but will not include any of our Company's Directors.

3. DETAILS OF THE IPO (CONT'D)

Key Senior Management who are entitled for the Pink Form Allocations are as follows:

Name	Designation	Number of Pink Form Allocations
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer	-
Yong Kim Fui	Non-Independent Executive Director / Chief Financial Officer	-
Nioo Yu Siong	Chief Operating Officer	-
Yee Wen Biau	Vice President of Engineering	70,000
Mohd Affendi Bin Abdul Razak	Vice President of Project Sales	60,000
Yen Chee Khan	Vice President of Product Sales	70,000
Tan Yu Win	Vice President of Project Management and Support	65,000

3.4.2 Underwriting and allocation of the IPO Shares

The IPO Shares will be allotted based on the following allocations:

	Public Issue	
	No. of Shares	% of issued Shares
Malaysian Public	17,000,000	7.0
Selected investors (through private placement)	48,000,000	19.7
Eligible employees of our Group	3,000,000	1.2
Total	**68,000,000**	**27.9**

All 17,000,000 IPO Shares made available for application by the Malaysian Public under **Section 3.4.1(i)** of this Prospectus have been fully underwritten. Any IPO Shares reserved for the Malaysian Public which are not subscribed by the Malaysian Public will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

The IPO Shares made available to selected investors through private placement under **Section 3.4.1(ii)** of this Prospectus are not underwritten and will be placed out by our Placement Agent.

The IPO Shares made available to eligible employees of our Group under **Section 3.4.1(iii)** of this Prospectus are not underwritten.

Any unsubscribed IPO Shares under **Sections 3.4.1(i)** and **3.4.1(iii)** will be made available for private placement to selected investors and placed out by our Placement Agent. However, if the IPO Shares under **Section 3.4.1(i)** of this Prospectus are over-subscribed, the unsubscribed IPO Shares under **Sections 3.4.1(ii)** and **3.4.1(iii)** of this Prospectus will be made available for application by the Malaysian Public.

The basis of allocating the IPO Shares shall take into account our preference of distributing the IPO Shares to a higher number of applicants with a view of broadening our shareholding base, to meet the public spread requirements of Bursa Securities as well as to establish a liquid and adequate market for our Shares. The allocation of the IPO Shares will be made in a fair and equitable manner.

There is no over-allotment or 'greenshoe' option that will result in any increase in the number of our IPO Shares.

3.4.3 Minimum subscription

Under the Listing Requirements, a minimum of 25% of our Shares are required to be held by at least 200 public shareholders, with each shareholder holding not less than 100 Shares at the point of our Listing. Other than this minimum public shareholding spread requirement, there is no minimum subscription level set by our Company in terms of the proceeds to the raised from the Public Issue.

In the event that the public shareholding spread requirements of Bursa Securities are not met, our Listing will be aborted and monies paid in respect of applications for our IPO Shares will be return in full, without interest. If such monies are not returned in full within 14 days after our Company become liable to do so, in accordance to the provision of Subsection 243(2) of the CMSA, then our Company and the officers of our Company will be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.

3.5 Basis of arriving at the Issue Price

The Issue Price of RM0.25 was determined after we have considered the following factors:

(i) our operating history as described in **Section 5.1** and our financial performance as described in **Section 10.2**;

(ii) our pro forma consolidated NA per Share of approximately 12.5 sen as at 30 April 2018, based on our pro forma consolidated NA of RM30.4 million as at 30 April 2018 after considering the Public Issue, use of proceeds and our enlarged number of 243,600,000 Shares upon Listing;

(iii) a PE Multiple of approximately 10.1 times based on our audited combined PAT attributable to owners of the parent of RM6.02 million for the FYE 31 December 2017, enlarged number of 243,600,000 Shares upon Listing, and diluted net EPS of approximately 2.47 sen;

(iv) a PE Multiple of approximately 7.3 times based on our audited combined PAT attributable to owners of the parent of RM6.02 million for the FYE 31 December 2017, enlarged number of 175,600,000 Shares after the Restructuring and before Listing, and net EPS of approximately 3.43 sen;

(v) our competitive strengths and advantages as set out in **Section 5.8.11** of this Prospectus;

(vi) our business strategies and prospects as set out in **Section 5.8.19** of this Prospectus; and

(vii) our Group's prospects and outlook as set out in **Section 6** of this Prospectus.

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3. DETAILS OF THE IPO (CONT'D)

The industry players which are the closest comparable companies to our Group, include MIMOS Berhad, Pacific Intech Distribution Sdn Bhd, Eighth Intuition Sdn Bhd, Blue Fortress Sdn Bhd, Symantec Corporation (M) Sdn Bhd, Intellego Solutions Sdn Bhd, Software Exc (M) Sdn Bhd, Augmented Technology Sdn Bhd, i-Sprint Innovations Sdn Bhd and Simple Advantage Sdn Bhd which are as disclosed in the IMR Report in **Section 6** of this Prospectus. As none of these companies are listed on Bursa Securities, we have benchmarked the PE Multiple derived in **Section 3.5(iii)** above against the average PE Multiple of approximately 21.0 times for the most recently listed companies (in the past 2 years and excluding an outlier) in the technology sector of the ACE Market of Bursa Securities, as follows:

No.	Name	Market price as at the LPD RM	EPS[1] sen	PE multiple[2] times	Market capitalisation[3] RM'000
1.	Cabnet Holdings Berhad	0.300	1.12	26.8	53,625
2.	Binasat Communications Berhad	0.425	4.16	10.2	110,500
3.	Revenue Group Berhad	1.06	4.09	25.9	236,219
			Average	**21.0**	**133,448**

Notes:

(1) Based on the trailing 12 months EPS of the respective companies extracted from their quarterly unaudited results announced to Bursa Securities up to the LPD.

(2) Calculated based on the market price divided by EPS.

(3) Calculated based on the outstanding number of shares of the respective companies as at the LPD multiplied by the market price of each company as at the LPD.

We are of the view that the PE Multiples are reasonable after considering our Group's business and the industry we are involved in. Our share price after the Listing is subject to the vagaries of market forces and other uncertainties, which will collectively determine the prices at which our Shares are traded. Risk factors as set out in **Section 4** of this Prospectus should be considered and investors should form their own views on the valuation of our IPO Shares before deciding on whether to invest in our Shares.

3.6 Dilution

Dilution is the amount by which the Issue Price exceeds our Group's pro forma NA per Share immediately after our IPO.

Our Group's pro forma NA per Share as at 30 April 2018 of 10.7 sen is based on 175,600,000 issued Shares. After adjusting for the Public Issue of 68,000,000 new Shares at the Issue Price and the effects of the use of proceeds, our Group's pro forma NA per Share is 12.5 sen. This constitutes an immediate increase of 1.8 sen to our existing shareholders, and an immediate dilution of 12.5 sen or 50.0% to our new Malaysian Public investors. The following table illustrates the increase and dilution per Share:

	Per Share (sen)
IPO Price	25.0
Pro forma NA as at 30 April 2018 after the Restructuring	10.7
Pro forma NA attributable to existing shareholders, after IPO and use of proceeds	12.5
Increase in pro forma NA attributable to existing shareholders	1.8
Dilution in pro forma NA for new investors	12.5
Dilution in pro forma NA for new investors (as a percentage of the Issue Price)	50.0%

3. DETAILS OF THE IPO (CONT'D)

3.7 Shares received by our Promoters, Directors and substantial shareholders since the incorporation of our Company

The following table summarises the total number of Shares acquired by our Promoters, Directors and substantial shareholders pursuant to the Restructuring and the cost per Share to them and to the new investors who subscribe for our IPO Shares:

Promoters, Directors and substantial shareholders	No. of Shares before IPO	No. of Shares from IPO	Total consideration RM	Average cost per Share RM
Promoters, Directors and substantial shareholders				
Law Seeh Key	126,337,605[1][2]	-	10,107,008	0.08
Yong Kim Fui	14,662,500[1]	-	1,173,000	0.08
Promoter and substantial shareholder				
Nioo Yu Siong	22,587,895[1]	-	1,807,032	0.08
Promoter				
Li Jianjun	12,012,000[1]	-	960,960	0.08
New investors from Public Issue	-	68,000,000	17,000,000	0.25

Notes:

(1) Issued pursuant to the Restructuring, as set out in ***Section 5.4*** *of the Prospectus.*

(2) Inclusive of 25 shares transferred from Ng Hock Tiam, a subscriber.

Save for the above, there has been no direct acquisition and/or subscription of any existing Shares in our Company by our Promoters, Directors and substantial shareholders nor had there been any rights to acquire any Shares, since the incorporation of our Company up to the date of this Prospectus.

It is not known to the Company as to whether any of the Promoters, Directors, substantial shareholders or key senior management members of the Company has the intention to subscribe for the IPO Shares allocated under **Section 3.4.1(i)** for the Malaysian Public. The Company is also not aware as to whether there is any person intending to subscribe for more than 5% of the IPO Shares allocated under **Section 3.4.1(i)** for the Malaysian Public.

3.8 Use of proceeds

Based on the Issue Price of RM0.25, the Public Issue will raise gross proceeds of RM17,000,000 to be used as follows:

	Purpose	Time frame for use of proceeds after Listing	RM' 000	Percentage of gross proceeds %
(a)	Business expansion	Within 24 months	1,700	10.0
(b)	Development of new digital security solutions	Within 24 months	5,700	33.5
(c)	Repayment of borrowings	Within 24 months	1,942	11.4
(d)	Working capital	Within 24 months	5,158	30.4
(e)	Listing expenses	Within 1 month	2,500	14.7
Total			**17,000**	**100.0**

3. DETAILS OF THE IPO (CONT'D)

Notes:

(a) Business expansion

We intend to increase our business presence and customer base in Malaysia and also in a number of other SEA countries which we view as having high business growth potential for our industry. **Section 5.8.19** of this Prospectus contains information on our business expansion. We are therefore allocating RM1.70 million towards the following costs:

(i) Establishment of additional regional offices and office expansion

We are allocating RM0.70 million towards the costs of office expansion in Malaysia and the Philippines pursuant to our plan to expand the R&D engineer team in Malaysia and also our operations in the Philippines. We have set aside RM0.30 million for Malaysia and RM0.40 million for the Philippines. The costs include rental expenses, rental deposits, renovation works as well as purchase of equipment, furniture and fittings. As at LPD, we have yet to identify the exact office location and size. Nevertheless, our management has narrowed down the potential locations to Technology Park Malaysia in Malaysia and Makati city in the Philippines with an estimated expansion office space of 5,000 square feet and 3,000 square feet respectively.

Our management is emphasising office expansion in the Philippines over other countries for the use of proceeds from the Public Issue, due to the availability of a large workforce with high English language proficiency in the Philippines, which minimises communication barriers between our employees and our customers. We maintain our interest in office expansion in the other countries.

Additional funding for such expansion, if required, will be met through internally-generated funds and/or external borrowings.

(ii) Marketing and promotional activities

We are allocating RM1.00 million for our marketing and promotional activities, both within Malaysia and outside Malaysia. In order to gain a bigger market share, we are adopting a proactive marketing strategy through participation in industry events such as seminars, forums, conferences and exhibitions, which are held in countries such as Malaysia, Singapore, Indonesia, Vietnam, the Philippines, Thailand and Myanmar. These events are organised periodically and we intend to participate in some of the events in the future. Our participation in each event costs an average of approximately RM75,000 in the form of event fees, booth customisation, printing costs, gifts and staff travel-related costs.

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

Additional funding for such marketing and promotional activities, if required, will be met through internally-generated funds.

3. DETAILS OF THE IPO (CONT'D)

(b) Development of new digital security solutions

In line with our business strategy to develop new digital security solutions as set out in **Section 5.8.19** of this Prospectus, we are allocating RM5.70 million for the following:

R&D investment		RM'000
(i)	Investment in R&D equipment	2,800
(ii)	R&D engineer team expansion costs	2,400
(iii)	Costs relating to development and registration of new patents	500
Total		**5,700**

(i) Investment in R&D equipment of up to RM2.80 million will comprise the following:

R&D Equipment	Targeted launch	Status as at the LPD	RM'000
PKI IN A BOX for IOT Internet of Things devices (e.g., smart locks, wearables (health tracking bands), automatic car tracking adapters, smart censors, smart meters, smart close circuit television (CCTV), smart thermostats) with its software development kits and PKI appliances.	By 2nd quarter of 2019	System concept development phase(1)	630
CENTAGATE® BOX for Financial Technology ("FinTech") and CENTAGATE® on Cloud Devices and tools related to FinTech such as servers, hardware security modules, mobile devices (e.g., hand phones and tablets), point of sale devices and CENTAGATE® BOX.	By 1st quarter of 2021 and 1st quarter of 2019, respectively	Initiation phase(2) and system design phase(3), respectively	1,460
Digital Signing-as-a-Service Digital signing development servers and devices specifically catering for our digital signing solutions, which are part of our PKI solutions.	By 1st quarter of 2020	Initiation phase(2)	710
Total			**2,800**

Notes:

(1) Once a concept proposal is approved, the approaches for accomplishing the concept are reviewed for feasibility and appropriateness. The scope of the system and funding is identified before beginning the Planning Phase.

(2) The initiation of a system (or project) begins when a business need or opportunity is identified. A Project Manager will be appointed to manage the project. This business need is documented in a concept proposal. After the Concept Proposal is approved, the System Concept Development Phase begins.

(3) The physical characteristics of the system are designed during this phase. The operating environment is established, major subsystems and their inputs and outputs are defined, and processes are allocated to resources. Everything requiring user input or approval must be documented and reviewed by the user.

Our continued focus on R&D for the ongoing development of new digital security solutions will provide our Group with the platform for long term sustainable growth. We will remain committed to investments in R&D and technology as this will continue to ensure the expansion of our Group's business and growth in our financial performance.

(ii) We target to increase our R&D team in Malaysia by 10 employees comprising experienced mobile security and IOT engineers depending on our assessment of needs, and we intend to use up to RM2.40 million towards the new employees' salaries (including contributions to Employees' Provident Fund and Social Security Organisation) as well as training courses.

(iii) We are allocating RM500,000 towards costs relating to development and registration of new patents for our digital security solutions. It is our target to develop a minimum of 5 new patents every year and submit them for registration. On average, each patent will require RM50,000 towards development and registration.

Our R&D team is constantly designing new and/or enhanced solutions to further improve the digital security solutions already existing in the market. In order to protect the rights to the new or enhanced digital solutions, we will engage patents agents to assist us in patenting the said solutions with the Intellectual Property Corporation of Malaysia (MyIPO) and this process will take approximately 20 months. All new patents will be registered under the name of Securemetric Malaysia. After patenting the solutions locally, we will register our patents in the countries of our operations. The international patent application normally takes approximately 18 months to process. The patented solutions will be exclusive to our Group and therefore prevent other industry players from duplicating our proprietary solutions.

Any surplus or shortfall of the actual amounts used for the development of new digital security solutions will be re-allocated firstly amongst the different categories therein. Any further balance will be re-allocated against the amount allocated for working capital.

(c) Repayment of borrowings

As at the LPD, we have two term loan facilities, which are solely used for our working capital. Both the following term loan facilities will be fully repaid using the allocated RM1.94 million from the proceeds of our Public Issue:

No.	Term loan provider	Outstanding as at the LPD RM'000	Repayment amount RM'000	Interest rate / Maturity date
1	Malayan Banking Berhad	772	711	11.15% p.a.[(i)] / 30 April 2022
2	AmBank Islamic Berhad	1,362	1,231	7.95% p.a.[(ii)]/ 1 October 2021
Total		**2,134**	**1,942**	

Notes:

(i) Base lending rate of 6.65% as at the LPD plus 4.5%.
(ii) Base financing rate of 6.95% as at the LPD plus 1.0%.

Based on the above interest rates, the total expected interest savings are approximately RM0.28 million. The actual interest savings may vary depending on the prevailing interest rates.

The repayment amounts are based on the term loan balances anticipated to be outstanding as at the time of repayment (in accordance with term loan repayment schedules). Early payment charges may be imposed by the banks, subject to their discretion. Early payment charges will not be automatically charged upon early repayment but subject to the decision by the respective banks. Early payment charges if imposed, are expected to be ranging from RM15,000 to RM40,000.

3. DETAILS OF THE IPO (CONT'D)

If the actual repayment amount is less or more than allocated, the surplus or shortfall (as the case may be) will be re-allocated from the amount set aside for our day-to-day operational working capital, as set out in **Section 3.8(d)(ii)**.

(d) Working capital

We are allocating RM5.16 million for our following working capital purposes:

(i) Expansion of workforce

We are allocating RM3.58 million for salaries of the following additional employees:

Expansion of workforce	No. of employees	Salaries RM'mil
Project management and support staff responsible for liaising with customers and our R&D team to ensure the achievement of project deliverables, participate in customers meetings resolving technical matters of the project as well as overseeing project implementation.	**6 employees** (3 in Malaysia and 1 each in Indonesia, Vietnam and the Philippines)	0.80
Marketing staff responsible for organising marketing events, planning of advertising and promotion strategies together with business development team (including designing roll out plans and marketing activities for the launch of new products and solutions).	**1 employee** (in Malaysia)	0.23
Business development managers responsible for planning of sales and marketing strategies, monitoring sales, conducting sales and product training for team members and participating in marketing events.	**10 employees** (3 each in Malaysia and the Philippines and 2 each in Indonesia and Vietnam)	1.18
Engineers responsible for functional analysis, application design, development, testing, deployment and maintenance of products and solutions as well as to ensure the products and solutions meet project requirements.	**14 employees** (10 in the Philippines, and 2 each in Indonesia and Vietnam)	1.18
Customer support manager responsible for overseeing customer service, providing resolution for customer issues, mentoring customer service team members and maintaining a service plan for each customer.	**1 employee** (in the Philippines	0.19
Total	**32 employees**	**3.58**

(ii) Day-to-day operations

In line with our expansion plans, we are allocating up to RM1.58 million for our Group's day-to-day operations which include shipment and freight fees for the export of our digital security products, maintenance and upkeep of office premises, insurance premiums, travelling charges, printing, utilities and office supplies.

Additional funding for working capital, if required, will be met through internally-generated funds and/or external borrowings.

3. DETAILS OF THE IPO (CONT'D)

(e) Listing expenses

We are allocating up to RM2.50 million for the following expenses to be fully borne by us relating to the Public Issue:

Listing expenses	RM'000
Professional fees	1,770
Brokerage, underwriting and placement fees	200
Regulatory fees (Bursa Securities and SC)	65
Other fees and expenses (including printing, advertising and travel)	465
Total	**2,500**

Any difference in actual utilisation of the above listing expense categories will be adjusted against other listing expense categories, and any remaining surplus/deficit will be adjusted against the amount allocated for our working capital purposes, specifically day-to-day operations.

Expenses totalling RM0.65 million are calculated to be directly attributable to the issuance of new Shares pursuant to the IPO and as such will be debited against the share capital in equity. The balance of RM1.85 million are assumed to be attributable to the overall Listing exercise and as such will be expensed off to the statements of profit or loss and other comprehensive income pursuant to MFRS 132 Financial Instruments: Presentation.

We intend to place all proceeds received as deposits with licensed financial institutions or short-term money market instruments before they are used for the above purposes.

Section 10.1 of this Prospectus contains the financial impact of the use of the proceeds on our pro forma consolidated financial information.

3.9 Brokerage, underwriting commission and placement fee

(i) Brokerage

For the sale of the 68,000,000 IPO Shares under the Public Issue, we will pay brokerage at the rate of 1% of the Issue Price in respect of all successful applications which bear the stamp of 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. The brokerage may be subject to the prevailing sales and service tax (if any).

(ii) Underwriting commission

Our Underwriter has agreed to underwrite 17,000,000 IPO Shares as set out in **Section 3.4.1(i)** of this Prospectus. We will pay our Underwriter an underwriting commission at the rate of 2.0% of the total value of the underwritten Shares based on the Issue Price.

(iii) Placement fee

Our Placement Agent has agreed to place 48,000,000 IPO Shares to institutional and selected investors to be identified, as set out in **Section 3.4.1(ii)** of this Prospectus. We will pay our Placement Agent a placement fee at the rate of 2.0% of the total value of the IPO Shares at the Issue Price to be placed out by our Placement Agent and a placement fee at the rate of 0.5% of the total value of the IPO Shares at the Issue Price to be placed out to placees identified by our Company.

3. DETAILS OF THE IPO (CONT'D)

3.10 Underwriting arrangement

We had on 27 September 2018, entered into the Underwriting Agreement with our Underwriter, to underwrite 17,000,000 IPO Shares under the Public Issue ("**Underwritten Shares**") as set out in **Section 3.4.1(i)** above.

The following salient terms are reproduced from the Underwriting Agreement. The terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement.

(i) Conditions Precedent

Clause 5.1

Unless waived by the Underwriter (in which case any condition precedent or any part thereof so waived shall be deemed to have been satisfied), the obligations of the Underwriter under this Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:-

(a) the subscription for and the issuance of the Issue Shares pursuant to and in accordance with the provisions hereof and in the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any agency, legislative, executive or regulatory body or authority of Malaysia (including the Bursa Securities);

(b) the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the CMSA and subsequent lodgement of the Prospectus with the Companies Commission of Malaysia;

(c) all other necessary approvals and consents required in relation to the Public Issue and the Issue Shares including but not limited to governmental approvals having been obtained and are in full force and effect;

(d) the issue of the Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting;

(e) there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement or which proves to be incorrect in any material respect;

(f) there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Underwriter, is or will be material in the context of the Public Issue and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained; and

(g) the Underwriter receiving a copy certified by a director or secretary of the Company to be a true resolution of the Board of Directors of the Company approving this Agreement and authorising a person or persons to sign on behalf of the Company, this Agreement.

3. DETAILS OF THE IPO (CONT'D)

Clause 5.2

In the event any of the conditions set forth in Clause 5.1 are not satisfied within three (3) months from the date of this Agreement, the Underwriter shall, subject as mentioned below in this clause, be entitled to forthwith terminate this Agreement by notice in writing given to the Company whereupon the following shall take place within three (3) Market Days of the receipt of such notice:

(a) the Company shall make payment of the Underwriting Commission to the Underwriter; and

(b) each party shall return all other moneys (in the case of the Underwriter, after deducting the Underwriting Commission due and owing to the Underwriter hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);

and thereafter, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.

(ii) Payment of Underwriting Commission

Clause 10.1

The Underwriting Commission shall be paid by or on behalf of the Company to the Underwriter within five (5) Market Days from the date of listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of the Bursa Securities provided that any amount thereof that remains outstanding and owing to the Underwriter by the Company when such Underwriter is required to make a remittance in accordance with Clause 8, may be deducted by such Underwriter from the amount which such Underwriter would otherwise be required to remit.

Clause 10.2

The Company irrevocably authorises the Underwriter to instruct the Issuing House to pay the Underwriting Commission and all other sums due from the Company under this Agreement from the proceeds of the Public Issue.

Clause 10.3

Any Underwriting Commission payable to the Underwriter shall remain payable to the Underwriter notwithstanding that this Agreement shall be terminated or the obligations of the Underwriter shall be cancelled or terminated or withdrawn for any reason whatsoever.

(iii) Termination

Clause 12.1

Notwithstanding anything herein contained, the Underwriter, as the case may be, may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares if:-

(a) in the event that the approval of the Bursa Securities for the admission of the Company to the official list of the Main Market of the Bursa Securities or for the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of the Bursa Securities is withdrawn;

(b) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clauses 3 and 4, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or

(c) there is failure on the part of the Company to perform any of its obligations herein contained; or

(d) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to this Agreement which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

(e) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group; or

(f) there shall have occurred, or happened any of the following circumstances:

(i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole, the success of the Public Issue which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

Clause 12.2

In the event that this Agreement is terminated pursuant to Clause 12.1, the Underwriter and the Company may confer with a view to deferring the Public Issue by amending the terms of this Agreement and enter into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.

Clause 12.3

Upon any such notice(s) being given pursuant to Clause 12.1, the Underwriter shall be released and discharged from its obligations hereunder whereupon the following shall take place within three (3) Market Days of the receipt of such notice:

(a) the Company shall make payment of the Underwriting Commission to the Underwriter; and

(b) each party shall return all other moneys (in the case of the Underwriter, after deducting the Underwriting Commission due and owing to the Underwriter hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);

and thereafter, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.

4. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, BEFORE INVESTING IN OUR SHARES.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers.

4.1 Risks relating to our industry

4.1.1 We face risks of not adapting quickly to latest digital security technological developments/shifts

We face risks of not adapting quickly to latest digital security technological developments/shifts. The digital security industry, as with the IT industry in general, is undergoing continuous technological developments/shifts, with increasing levels of sophistication and scale of digital threats and attacks. Digital threats and attacks have evolved from password guessing, hijacking of user accounts, creation and usage of viruses to invade and hack into computers, organisations, websites or systems, to increasing in volume of attack coordination targeting high-value organisations such as Government organisations and financial institutions.

Our ability to adapt to these changes and to remain technologically relevant will determine the sustainability of our business earnings. There can be no assurance that we would have sufficient resources to successfully and accurately anticipate technological changes and market trends as well as developing them on a timely and cost-effective manner. We may also experience difficulties that could delay or prevent the development of new services and solutions which may have a negative impact on our business and financial condition. Our patents that are being applied for are not in respect of our products. As set out in **Section 5.8.15** of this Prospectus, our applied patents (which are pending registration approval and one of which was rejected (patent application no. US 14/843,665 for the "Hybrid Adaptive Authentication Scoring System")) would not be affected by these changes (i.e. technological developments/shifts) as they are associated with our methodologies (i.e. algorithm workflow) in our digital security solutions which will remain relevant notwithstanding the technological developments/shifts.

4.1.2 We face competition from existing and new digital security solution providers

We face competition from existing and new digital security solution providers. The competitive landscape of the digital security solutions industry in Malaysia and SEA comprises companies involved in the development, sale and trading of 2FA, authentication management systems, PKI and software licensing protection dongles, amongst other related business activities.

Competition from other digital security solution providers may have an impact on our financial performance by way of lower sales for our Group or added difficulty for us in winning competitive tenders for future projects.

4.1.3 We face lack of priority placed by customers on the importance of digital security

Digital security solution adoption is often not a top priority for many organisations. For example, when a new business is established, priority is often placed in investing in hiring, purchasing/ production of goods/services, adoption of accounting systems and purchases of computers and software to operate the business. The urgency to have adequate protection for the organisations' data as well as computer hardware and software is often overlooked. Only as digital security threats continue to evolve, will the urgency to adopt digital security solutions increase. Digital security solution providers who are able to provide their customers with the relevant solutions will also help to generate greater awareness and sense of urgency among their customers to adopt digital security solutions.

4. RISK FACTORS (CONT'D)

4.1.4 We face challenges in providing digital security solutions while simultaneously addressing the privacy concerns of our customers

Customers may be deterred from adopting digital security solutions due to privacy concerns. The implementation of digital security solutions will involve the need to reveal sensitive information to third parties, and customers may therefore be reluctant to provide third parties with access to their important and critical business information. Customers would generally have concerns over the privacy of their sensitive information and be wary of having confidential data fall into wrong hands. For customers who are used to safeguarding their sensitive information over private networks, the notion of providing a third party provider with access to critical data can be daunting. This may result in such customers less likely to adopt the digital security solutions which we are in the business of providing, unless we are able to overcome their privacy concerns.

As a related risk, in the process of providing digital security solutions to our customers, any failure on our part to protect our customers' information from external attacks such as malicious software (e.g. viruses, spywares and ransomware) and hackers could give rise to reputational risk, adversely damage our business reputation and brand name, and subsequently cause long term repercussions on our business operations.

4.2 Risks relating to our business and operations

4.2.1 We depend on our Directors and key senior management personnel

We attribute our success to the leadership and contributions of our Directors and key senior management personnel. Our continuing success will largely depend on their abilities, experience, industry knowledge and efforts. Due to the specialised and technical nature of the digital security solutions industry, we are highly dependent on our key senior management personnel who possess the technical knowledge to ensure high quality and timely delivery of our projects and deliverables to our customers.

We depend particularly on the leadership of Law Seeh Key (a founding member and our Group's Chief Executive Officer / Non-Independent Executive Director) and Nioo Yu Siong (a founding member and our Group's Chief Operating Officer). We also depend on Yong Kim Fui (Chief Financial Officer / Non-Independent Executive Director), Yee Wen Biau (Vice President of Engineering), Mohd Affendi Bin Abdul Razak (Vice President of Project Sales), Yen Chee Khan (Vice President of Product Sales) and Tan Yu Win (Vice President of Project Management and Support) for their expertise in given fields. The loss of any of them may adversely affect our ability to chart our future strategic direction and to manage our operations effectively and competitively. We have not experienced any loss of key senior management personnel which had affected us to a material degree, as at the LPD.

Our Board recognises the importance of our Group's ability to attract and retain its key senior management personnel and the need to continuously develop a dynamic and strong key senior management team, including grooming the younger members of the key senior management team to back up and assume the roles and responsibilities of the key senior management team members, where necessary. If we are unable to retain our Directors or key senior management personnel, or perform a smooth transition as part of management succession, our Group will face operational and strategic interruptions to our business.

4. RISK FACTORS (CONT'D)

4.2.2 We depend on the availability of technical professionals

Our Group depends on the availability of technical professionals in technology division as we are involved in the digital security solutions industry requiring specialised technical skills. Our technical professionals capitalise on the technology as set out in **Section 5.8.8** of this Prospectus to develop and deploy our digital security solutions. As at the LPD, we employed 42 technical professionals, representing approximately 40.4% of our total workforce. The number of our technical professionals as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018 was 19, 30, 35 and 38, respectively.

We have not previously experienced any major disruption to our operations caused by the shortage of technical professionals. Any such disruption in the future would depend on whether we will be able to recruit, develop or retain the required number of technical professionals in the future.

4.2.3 We depend on our ability to secure new projects and customers

Our future profitability and financial performance will depend on our ability to secure new projects and customers. Projects related to the provision of digital security solutions are generally for a period of two to twelve months, depending on the complexity of the project. Upon completion of the projects, we enter into support and maintenance service contracts with some of these project customers, ranging between one and three years.

Our growth largely depends on our ability to increase our sales of our digital security solutions as well as electronic identification products and other related services to new and existing customers particularly government organisations, financial institutions, public certification authorities, software development companies and IT service providers. Sales to these customers involve risks that may not be present when it comes to smaller customers, such as:

- competition from solution providers that traditionally target government organisations, financial institutions, public certification authorities, software development companies and IT service providers and that may already have pre-existing relationships or purchase commitments from such customers; and

- increased purchasing power and leverage held by these large customers in negotiating contractual arrangements with us.

Large organisations often undertake a more elaborate evaluation process that results in a lengthier sales cycle. Our sales representatives typically engage in direct interaction with our potential customers. We typically provide evaluation products to these customers and may spend substantial time, effort and financial resources as part of our sales effort. In addition, product purchases by larger organisations are frequently subject to budget constraints, multiple levels of approval and unanticipated administrative and processing delays.

In addition, if our existing customers do not purchase additional digital security solutions or electronic identification products or renew or upgrade their support and maintenance agreements, our financial results may be materially affected. These may be caused by several factors, including dissatisfaction with our prices or features relative to competitors' offerings, reductions in our customers' spending levels or other causes outside of our control.

Premised on the above, the financial results of our Group is dependent on our ability to secure new contracts or customers.

4.2.4 Our R&D activities may not yield expected benefits

Being involved in the information technology industry, we undertake R&D activities to improve our existing solutions and introduce new solutions. We are allocating RM5.70 million of our Listing proceeds towards development of new digital security solutions, as detailed in **Section 3.8(b)** of this Prospectus.

The time and effort spent on R&D investments may not always result in the development of commercially-viable applications or improvements to our existing solutions. Solutions which are being developed may appear promising during initial R&D stages but may fail to be commercially successful for a variety of reasons such as changes in customer trends or new and unforeseen technological advances made by our competitors. These may adversely affect our business, prospects and financial results, especially when the revenue from new or improved solutions products is inadequate to cover amounts spent on R&D.

While we may be able to develop commercially-viable solutions from our R&D activities, any delays in bringing these solutions to market may also adversely affect our business, prospects and financial results.

Up to the LPD, we have not had material losses resulting from any R&D investments which we had undertaken in the past, as we had been able to utilise the results obtained from these R&D investments to benefit other aspects of our solutions, in the event the R&D investments had not yielded the desired benefits for particular targeted solutions.

4.2.5 We may be exposed to the risk of security breaches

As with any business with integrated IT solutions in critical business operations, we and our digital security solutions nevertheless may still potentially encounter external security threats such as direct attacks from external elements such as malware attack, hacking, espionage and cyber intrusion, as well as internal security breaches which include unauthorised access to restricted information by employees, or attacks which originate from malware-infected mobile devices which are brought into the network system by employees.

As at the LPD, we have never experienced any external security threats and internal security breaches, be it against our operations or against our digital security solutions. Nevertheless, despite a variety of network security and alternative measures undertaken by our Group, future unauthorised access, computer viruses, accidental or intentional actions may still occur. Any of these occurrences may cause system failures and interruptions in the services provided to our customers, which could have an impact on our Group's ability to manage or service our customers, thus materially and adversely affect our business operations and financial performance.

4.2.6 We depend on a third party manufacturer and third party suppliers for the manufacturing of our hardware and supply of third party devices

We are dependent on a third party manufacturer to manufacture the hardware namely the casings (with printed circuit boards and basic OS) for our proprietary software licensing protection dongles, 2FA devices (i.e. OTP tokens) and PKI tokens. We are also dependent on third party suppliers to supply devices such as HSMs, PKI appliances and electronic identification products under third party brands.

These hardware and devices are essential to our operations and we are dependent on the availability and quality of these products.

Although we have alternative sources for our hardware and devices, we may not be able to integrate these alternative sources in a timely manner. This may potentially delay the delivery of our solutions to our customers. The alternative hardware and devices may not satisfactorily meet our customers' requirements and there is no assurance that we will able to find substitutes for these hardware and devices in a timely manner or on commercially reasonable terms. The resulting disruption to our business operations may be material and adversely affect our reputation and prospects. As at the LPD, we have never experienced any such disruptions.

4.2.7 Potential infringement of intellectual property rights belonging to us and to others

Our intellectual property rights, which are crucial for our business operations, may be knowingly or unknowingly infringed by other parties who copy, obtain or use them without our prior authorisation or permission. Such infringement of our intellectual property rights may adversely affect our customers' confidence in us and affect our business. If we enforce our intellectual property rights through litigation, such actions may result in substantial costs and diversion of our resources.

We may also unknowingly infringe on another party's intellectual property rights in the course of providing digital security solutions to our customers. This will harm our relationship with our customers and may deter future customers from purchasing our digital security solutions. It may also expose us to costly litigation and settlement expenses.

Any litigation or claim relating to intellectual property right infringement to which we are named as a party may harm our brand name and reputation. Any adverse judgment against us may require substantial damages to be paid, as well as invalidate our intellectual property rights and prevent us from offering our digital security solutions to our customers. If so, we may need to procure or develop substitute solutions, which could require significant effort and expense. We may have to seek a license for the technology, which may not be available on acceptable terms, and as a result may significantly increase our operating expenses or require us to restrict our business activities in one or more respects. Any of these events could adversely affect our business, operating results, financial condition and prospects.

As at the LPD, we have not infringed any intellectual property rights belonging to others.

4.2.8 We are exposed to risks relating to the economic, political, legal and social environment in the markets in which we operate

Our Group operates in the SEA region with physical presences in Malaysia, Vietnam, the Philippines and Indonesia through our subsidiaries in these countries. Our Group also has a virtual office in Singapore. We expect to continue to expand our regional presence, making us increasingly susceptible to legal, regulatory, political and economic conditions as well as operational risks in the countries in which we operate. Operating regionally also requires us to comply with foreign laws and regulations covering numerous aspects of our operations, including trade laws and investment laws, which may be amended from time to time. We may at times be involved in potential legal disputes or proceedings relating to solutions, products, compliance with respective laws in the foreign countries or other types of liabilities, employee claims, labour disputes or contract disputes. All of these factors may have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects.

As an illustration, our foreign subsidiary in Vietnam is required to comply with the terms of the investment registration certificate which it has been issued with, as well as with all relevant Vietnamese laws. Reports are required to be provided, on a periodic basis, to the Vietnamese state authority regarding the implementation of the investment project, which relates to our Vietnamese subsidiary's business operations in the country. Business-related licences are required and have been obtained by our Vietnamese subsidiary.

Our Indonesian subsidiaries possess the required business licences to operate, and are required to furnish periodic investment activities reports and failure of which may result in warnings and/or limitations be imposed on business activities. Our Indonesian subsidiaries have furnished the latest of such reports to the Indonesian business authorities, as required.

Our foreign subsidiaries have leased office premises. We take note that our leased Indonesian office premises, for Securemetric Indonesia and Softkey Indonesia, do not possess the local versions of certificates of fitness, which are the responsibilities of the respective landlords to obtain. As at the LPD, our Indonesian subsidiaries have assets in the form of computers, office equipment, renovation and furniture, with total net book values of RM0.12 million at risk should any calamity befall these leased properties in the absence of these local certificates of fitness. These assets are also not insured due to their relative low net book values. We have also estimated that in the worst case scenario, business can be resumed within a week if new premises are required to be sought to continue our operations in Indonesia.

Save as disclosed in **Section 12.5** of this Prospectus, we are currently not involved in any material legal proceedings or governmental investigations or enquiries and we are unaware of any material pending claims or legal proceedings against us.

4.2.9 We no longer enjoy any tax exemption pursuant to our Pioneer / Multimedia Super Corridor ("MSC")-Malaysia status

Securemetric Malaysia, our wholly-owned subsidiary, was granted MSC-Malaysia status on 8 May 2007. Being a MSC-Malaysia status company, Securemetric Malaysia is also accorded pioneer status as one of the incentives given to a MSC-Malaysia status company. MDEC governs and monitors all MSC-Malaysia status companies and has the right to revoke any company's MSC-Malaysia status in the event of non-compliance with any terms and conditions imposed by MDEC. Amongst the incentives that Securemetric enjoy under its pioneer status is an entitlement of 5-year exemption from Malaysian income tax on income derived from approved MSC activities. The tax exemption was granted to Securemetric Malaysia from 6 May 2008 to 5 May 2013, which has been renewed for a further period of 5 years up to and including 5 May 2018. Barring any new tax incentives to be introduced, Securemetric Malaysia will no longer be eligible for any extension to the tax exemption.

The pioneer status has expired on 5 May 2018. Going forward, the expiry of the pioneer status will directly affect our financial performance as the statutory income of Securemetric Malaysia is subject to a statutory tax rate of 24%. Using Securemetric Malaysia's FYE 31 December 2017 financial results to illustrate the impact of the statutory tax rate of 24% (before adjusting for income tax adjustments such as expenses not deductible for tax purposes (eg: depreciation of PPE, amortisation of development expenditure and professional fees), income not subject to tax (eg: unrealised foreign exchange gain, gain on disposal of PPE and government grant income) and claims of capital allowances for qualifying assets), our Group's PAT would have been reduced by RM1.00 million (from RM6.08 million to RM5.08 million) without the tax exemption.

We will however continue to retain our MSC-Malaysia status and enjoy other MSC-Malaysia status incentives, unless MDEC's policies changes, such as freedom to source capital globally for MSC Malaysia infrastructure and the right to borrow funds globally, to allow unrestricted employment of local and foreign knowledge workers and allowed to tender for key MSC infrastructure contracts. The incentive which our Group has been utilising is the hassle-free employment of foreign knowledge workers through MDEC. MDEC has been assisting our Group in obtaining visas and working permits for our foreign knowledge workers. With the said incentive, our Group does not have to procure the assistance of agents nor incur agents' fees, and our Group does not have to deal directly with the immigration department.

Section 8.1.3 of this Prospectus contains the salient conditions imposed by MDEC on our MSC-Malaysia status.

4.2.10 We are exposed to fluctuating exchange rates

We are exposed to foreign currency exchange rate fluctuations due to a significant number of our customers being located outside Malaysia. Such fluctuations may affect our financial results. Our foreign exchange gains and losses for the FYEs 31 December 2015 to 31 December 2017 and 4M-FPE 30 April 2018 are as follows:

Foreign exchange gain/(loss)	FYE 31 December			4M-FPE 30 April
	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000
- unrealised	201	6	(334)	199
- realised	123	(86)	(379)	(482)
Total	**324**	**(80)**	**(713)**	**(283)**

We are exposed to transactional currency exposure primarily through sales and purchases denominated in currencies other than the functional currency of the operations which they relate. Substantial amounts of our purchases are denominated in USD and Euro. Other than purchases, most of our expenses and sales in Malaysia are denominated in RM, and most of our expenses in foreign subsidiaries are denominated in their local currencies.

As at the LPD, we have no formal hedging policy for our foreign exchange exposure. Instead, we monitor our exposure on an on-going basis and we strive to keep net exposures to levels acceptable to us. We have not in the past experienced any material losses caused by foreign currency fluctuations.

4.3 Risks relating to investment in our Shares

4.3.1 Our Promoters control a significant portion of our Shares which may result in them being able to influence the voting outcome of certain matters requiring the vote of shareholders

Our Promoters (Law Seeh Key, Yong Kim Fui, Nioo Yu Siong and Li Jianjun) will collectively hold over 70% of our enlarged issued share capital after the IPO. They will therefore have significant influence on the voting outcome of matters requiring the vote of our shareholders, unless they are required to abstain from voting by law or by the relevant authorities.

4.3.2 No prior market for our Shares

As there is no prior market for our Shares, there is therefore no certainty that an active market for our Shares will develop or be sustained upon our Listing.

4.3.3 Our share price may be volatile

The market price of our Shares may be volatile and be subject to wide fluctuations in response to factors which include the following:

(i) variation in our operating results;
(ii) success or failure of our management in implementing business and growth strategies;
(iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
(iv) changes in conditions affecting the industry, general economic conditions, share market sentiments, other events or factors;
(v) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Malaysia or other countries;
(vi) additions or departures of key senior management;
(vii) fluctuations in share market prices and volumes; or
(viii) involvement in litigation cases.

4. RISK FACTORS (CONT'D)

4.3.4 We may not be able to pay dividends or realise dividends from our subsidiaries

We would be fully reliant on dividends to be received from our subsidiary companies, in order for us to be able to declare and pay dividends on our Shares. Our Company, being an investment holding company, conducts substantially all of our operations though our subsidiaries.

Accordingly, our principal source of income will be derived mainly from dividends received from our subsidiary companies. Hence, our ability to pay future dividends is largely dependent on the performance of our subsidiary companies. The ability of our subsidiaries to pay dividends or make other distributions to us is subject to the availability of their distributable reserves and their sufficiency of excess funds not needed for their operational needs, other obligations or business plans.

The declaration of dividends is subject to the discretion of our Board and our Company's compliance with the requirements of the Act. In accordance with Section 131(1) of the Act, we can only make distribution of dividends to our shareholders out of our available profits if we are solvent. Pursuant to Section 132(3) of the Act, a company is regarded as solvent if it is able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made.

In determining the size of any dividend recommendation, we will also take into consideration a number of factors including our financial performance, cash flow requirements, availability of distributable reserves, capital expenditure plans and compliance with regulatory requirements. We will endeavour to pay dividends but no assurance can be given that we would be able to pay any future dividends, as a result of the factors stated above. **Section 10.8** of this Prospectus contains further information on dividend as it relates to our Group.

4.3.5 Our listing may be delayed or aborted

Our Listing may be delayed or be aborted if any of the following events occur:

(i) our Underwriter exercises its rights pursuant to the Underwriting Agreement to discharge itself from its obligations;
(ii) we are unable to meet the public spread requirements of the Listing Requirements, i.e. at least 25% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each, at the time of Listing; or
(iii) any force majeure event which is beyond our control before our Listing.

In the event that our Listing is aborted, we will return all monies paid in respect of all applications, in full and without interest within 14 days, falling which the provisions of Section 243(2) and Section 243(6) of the CMSA will apply accordingly and we will be liable to repay the monies with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC upon expiration of that period.

In the event our Listing is aborted but our Shares have been allotted to investors, a return of monies to such investors could only be achieved by way of cancellation of share capital as provided under the Act. Such cancellation requires the sanction of shareholders by special resolution in a general meeting, consent of 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. Alternatively, reduction of share capital can also be done by passing a special resolution supported by a solvency statement in accordance with Section 117 of the Act. Thus, there can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

Our Board will endeavor to ensure compliance with the various requirements for our successful Listing.

5. INFORMATION ON OUR GROUP

THIS SECTION SHOULD BE READ IN CONJUNCTION WITH THE TECHNICAL GLOSSARY IN THE SECTION ON DEFINITIONS

5.1 Overview and History

Our Company was incorporated in Malaysia under the Act on 6 June 2017 as a private limited company under the name of Securemetric Sdn Bhd and was converted into a public company on 12 September 2017. Our Company is an investment holding company.

Our Group is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services. **Section 5.3** of this Prospectus sets out further details of the principal activities of our subsidiaries.

Summary of our business

Core solutions and products	• Digital security solutions - Software licensing protection dongles - 2FA - PKI - CENTAGATE® • Electronic identification products • Other related services
Major customer types	• Government organisations • Financial institutions • Public CAs • Software development companies • IT service providers
Location of operations	• Malaysia • Vietnam • The Philippines • Singapore • Indonesia
Key export markets	• Vietnam • The Philippines • Indonesia

History of our business

We commenced our business in the trading of digital security and electronic identification products under Softkey Malaysia

Our history can be traced to the incorporation of Softkey Malaysia on 28 February 2001, by Law Seeh Key (Non-Independent Executive Director/ Chief Executive Officer of Securemetric) and Tan Boon Huat. Softkey Malaysia was principally involved in the trading of digital security products namely software licensing protection dongles, as well as electronic identification products, which were supplied by third party suppliers. Tan Boon Huat exited Softkey Malaysia in July 2003 to pursue interests in warehouse management solutions (which are not similar to and do not compete with Securemetric's principal activities).

In 2003, Softkey Malaysia expanded its business by adding PKI tokens to its product offerings, whereby the PKI tokens were also supplied by third party suppliers. Softkey Malaysia's customers for PKI tokens were mainly Government organisations, financial institutions and public CAs.

5. INFORMATION ON OUR GROUP *(CONT'D)*

In 2005, Softkey Malaysia recorded an achievement when they secured orders for PKI tokens from POS Digicert Sdn Bhd, one of two public CAs in Malaysia at the time. As a public CA, POS Digicert Sdn Bhd purchased PKI tokens from Softkey Malaysia for the storing of digital certificates, and the PKI tokens were supplied to the POS Digicert Sdn Bhd's customers to be used when digital certificates are needed to carry out secure digital transactions.

Softkey Malaysia expanded its business into Indonesia with the incorporation of Softkey Indonesia on 6 January 2006. In the same year, Softkey Indonesia expanded its product offerings to the trading of electronic identification products, namely smart cards, smart card readers and barcode readers.

In 2007, Softkey Malaysia recorded a milestone achievement when it began to secure orders for PKI tokens from Commerce Dot Com Sdn Bhd as its customer, for onward supply to ePerolehan[1] users. ePerolehan users are vendors who supply products and services to the Government of Malaysia. Since then, our Group has continued to receive orders from Commerce Dot Com Sdn Bhd for the ePerolehan project.

We ventured into the development of proprietary digital security solutions with the incorporation of Securemetric Malaysia

In the same year, the management of Softkey Malaysia decided to venture into the development of proprietary digital security solutions, instead of relying on digital security products supplied by third party suppliers. The decision was made with the intention of transforming Softkey Malaysia from a trading company into a digital security technology company.

As a result, Securemetric Malaysia was incorporated on 17 January 2007, with our co-founders Law Seeh Key and Nioo Yu Siong, as shareholders and directors. The incorporation of a new company instead of expanding the business under Softkey Malaysia, arose from an aim to position Securemetric Malaysia as a digital security technology company as Softkey Malaysia was then known in the market as a distributor of third party products. In the same year, we initiated R&D of our proprietary digital security solutions, which comprised related devices, firmware, middleware and application software.

We introduced our proprietary PKI tokens and software licensing protection dongles

In 2008, we introduced our proprietary PKI tokens and software licensing protection dongles into the market through Securemetric Malaysia, and initiated the conversion of Softkey Malaysia's clients (from using third party digital security products) to using our in-house developed digital security solutions. On top of offering our proprietary digital security solutions, we continued to trade in electronic identification products supplied by third party suppliers. In the same year, we began selling our in-house developed digital security solutions, when we secured orders to supply our proprietary PKI tokens to POS Digicert Sdn Bhd and exported our proprietary software licensing protection dongles to CryptoShop B.V., a reseller of digital security products based in the Netherlands.

Following the completion of the conversion of our clients from Softkey Malaysia to Securemetric Malaysia on 30 October 2015, Softkey Malaysia has not been in operation since 1 April 2016. An application to strike off Softkey Malaysia was submitted to the CCM on 11 September 2017, and is being processed by CCM. Upon being struck off, the name of Softkey Malaysia will be gazetted and thereafter deemed dissolved pursuant to Section 551 (3) of the Act.

[1] The ePerolehan System is the Government of Malaysia's online procurement system.

5. INFORMATION ON OUR GROUP *(CONT'D)*

We began to expand our presence into other countries in SEA and we continued to increase our digital security product range by introducing 2FA and token management system for PKI

In line with the setting up of Securemetric Malaysia, Securemetric Indonesia was incorporated on 23 June 2008. As our business in the trading of electronic identification products in Indonesia was thriving under Softkey Indonesia due to market demand, we made a decision to separate our business in the trading of electronic identification products from our business in the provision of our proprietary digital security solutions, by retaining the electronic identification trading business under Softkey Indonesia, while Securemetric Indonesia focused on our proprietary digital security solutions.

In 2009, through our on-going R&D initiatives, we added 2FA and token management system for PKI into our offerings, which we deemed as a significant move as it enabled us to widen our customer base to include Government organisations and financial institutions, who are the most common users of 2FA for online login systems and PKI solutions. In the same year, we expanded into Vietnam when we incorporated Securemetric Vietnam on 30 March 2009 and we secured our first 2FA project, with FPT Information System Corporation, an IT service provider in Vietnam, through Securemetric Malaysia.

We further enhanced our digital security offerings when we successfully secured PKI projects

In 2010, we initiated R&D on our PKI solutions, which involved development work on the firmware, middleware and software required to implement PKI solutions. Following the success of this R&D initiative, we registered yet another major milestone in the same year when we secured our first PKI project, also with FPT Information System Corporation in Vietnam, where we were involved in the provision of our PKI tokens, token management system and certification authority back-end system, as well as HSMs supplied by third party suppliers.

In 2012, we took another significant step in the expansion of our business when we collaborated with PrimeKey Solutions AB, a security software and solutions company based in Sweden, on a project for Advanced Science and Technology Institute of Philippines, a research and development institute under the Department of Science and Technology, to set up the Philippine National PKI. On this project, we supplied our proprietary token management system and PKI tokens, as well as third party HSMs and digital signing solution. Following the success of the Philippine National PKI project, we expanded our physical presence into the Philippines with the incorporation of Securemetric Philippines on 26 April 2013.

We introduced PKI IN A BOX, an off-the-shelf PKI solution

In 2013, through our on-going R&D efforts, we achieved yet another major milestone in our product development evolution when we introduced our PKI IN A BOX solution which is an off-the-shelf PKI solution containing a set of predetermined specifications suitable for quick deployment. Our PKI IN A BOX solution is built on a PKI appliance supplied by PrimeKey Solutions AB, and is customised and integrated with our token management system, namely *SecureTMS RA* and related firmware.

We continued to expand our digital security product offering with the introduction of CENTAGATE®

In 2014, our Group initiated R&D of CENTAGATE®, a centralised authentication management system, which incorporates 2FA, multi-factor authentication and PKI solutions as well as a risk scoring feature into one single solution.

In 2015, we further expanded in the Philippines when we supplied our PKI IN A BOX solution to Philippine Clearing House Corporation, a cheque clearance service provider in the Philippines. We continued our regional expansion with the incorporation of Securemetric Singapore on 8 July 2015. Also in 2015, we received a TechnoFund grant of RM2.26 million from MOSTI for the development and certification of CENTAGATE®.

5. INFORMATION ON OUR GROUP *(CONT'D)*

In 2016, we recorded another milestone when we secured a CENTAGATE® project in the Philippines with the Bank of the Philippine Islands. In the same year, we won a major turnkey PKI project when we secured a project with VAXUCO, the procurement arm of the Ministry of Defence in Vietnam. This turnkey PKI project entails standard implementation, technology transfer workshop package, software customisation and crypto customisation.

In 2017, we launched CENTAGATE® BOX, an off-the-shelf version of our CENTAGATE® solution, which is similar to our PKI IN A BOX solution, where it offers customers an option for quick deployment of CENTAGATE®. Our CENTAGATE® solution is built on security appliance supplied by PrimeKey Solutions AB and is integrated with our CENTAGATE® software and the related firmware. In the same year, we secured our first PKI IN A BOX project with a large online retailer, mainly Lazada South East Asia Pte. Ltd. We also secured a PKI project with Raffcomm Technologies Sdn Bhd, a CA in Malaysia, to provide PKI solutions including back-end system and related consultation services.

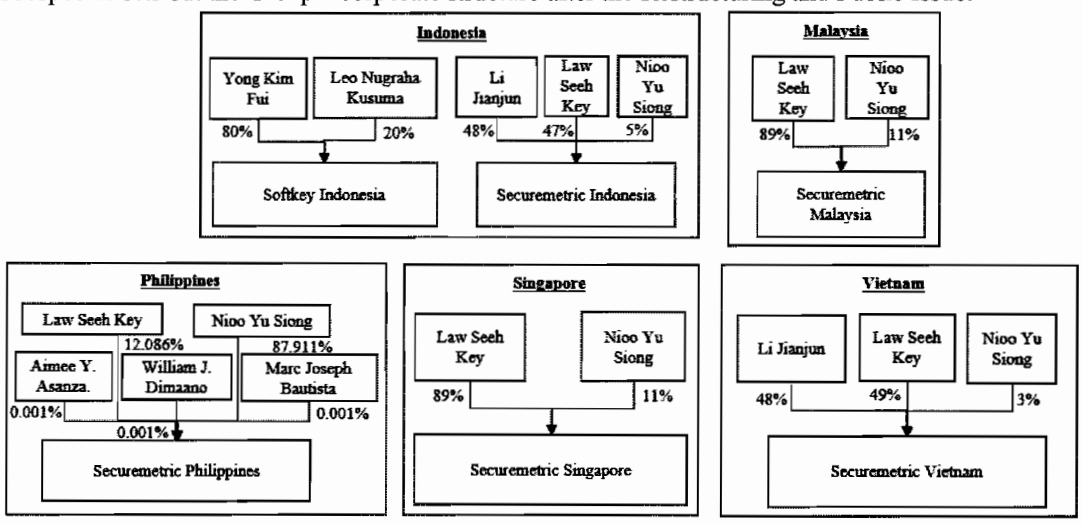
We achieved a significant milestone when we received the MyCC EAL 4+ certification for CENTAGATE®

In 2017, we completed and received the MyCC EAL 4+ certification for CENTAGATE®. As at the LPD, we are the second Malaysian company which has a product with MyCC EAL 4+ certification, a certificate recognised by Common Criteria Recognition Arrangement ("**CCRA**")[2]. **Section 5.8.7** of this Prospectus sets out further details of our product certifications.

Since the inception of our business via Softkey Malaysia in 2001, our Group has evolved from selling third party digital security products to a regional provider of digital security solutions and electronic identification products, serving customers such as enterprises and organisations, primarily Government organisations, financial institutions, public CAs, software development companies and IT service providers throughout SEA. Our R&D has been the cornerstone of our success to-date, laying the foundation for the development of our proprietary solutions such as PKI token, 2FA, PKI token management system, PKI IN A BOX, CENTAGATE® and CENTAGATE® BOX. We will continue to place commitment and emphasis on R&D and product development to fuel our future growth and will focus our Group's expansion on growth opportunities in the SEA market.

Our Group's corporate structure

Set out below is our Group's corporate structure prior to the Restructuring. **Section 5.3.1** of this Prospectus sets out the Group's corporate structure after the Restructuring and Public Issue.



[2] *Based on the list of certified products that are recognised by MyCC Scheme which is available on CyberSecurity Malaysia website (http://www.cybersecurity.my)*

5. INFORMATION ON OUR GROUP *(CONT'D)*

5.2 Share Capital

As at the LPD, our issued share capital is RM14,048,000 comprising 175,600,000 Shares. Details of changes to our issued share capital since our incorporation are as follows:

Date of allotment / changes	Nature of change	Consideration[1]	No. of Shares allotted	No. of cumulative Shares
6 June 2017	Cash of RM1 paid for 1 subscriber share	Cash	1	1
20 August 2017	Cash of RM1 paid for 1 subscriber share	Cash	1	2
28 September 2017	Subdivision of 2 Shares into 25 shares	-	25	25
20 July 2018	Allotment of 123,962,475 new Shares	Other than cash[2]	123,962,475	123,962,500
4 September 2018	Allotment of 43,587,500 new Shares	Other than cash[3]	43,587,500	167,550,000
5 September 2018	Allotment of 8,050,000 new Shares	Other than cash[4]	8,050,000	175,600,000

Notes:

(1) For all consideration given, there was no discount, special term or instalment payment term.

(2) Pursuant to the Acquisition of Securemetric Malaysia.

(3) Pursuant to the Acquisition of Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia.

(4) In relation to the Acquisition of Securemetric Vietnam.

Our enlarged share capital will increase to RM60,900,000 comprising 243,600,000 Securemetric Shares after the issuance of 68,000,000 IPO Shares.

As at the LPD, neither our Company nor our subsidiaries has any outstanding warrants, options, convertible securities or uncalled capital.

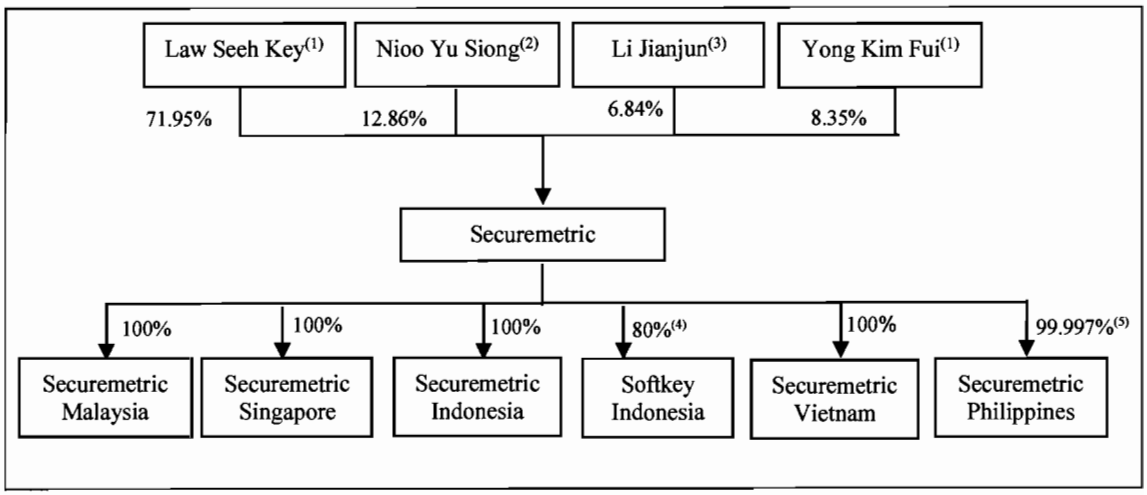
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5. INFORMATION ON OUR GROUP *(CONT'D)*

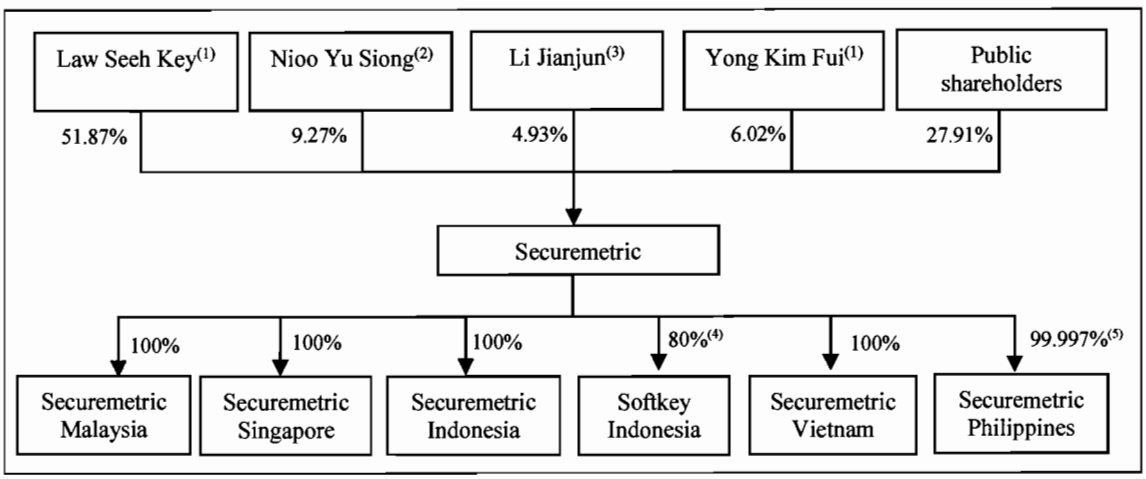
5.3 Subsidiaries

5.3.1 Group Structure

After the Restructuring and before Public Issue



After the Restructuring and Public Issue



Notes:

(1) Deemed as the Promoter, Director and substantial shareholder of our Company.

(2) Deemed as the Promoter and substantial shareholder of our Company.

(3) Deemed as the Promoter of our Company.

*(4) 20,000 shares (20%) of Softkey Indonesia are held by Leo Nugraha Kusuma, the sole director of Softkey Indonesia and is an Indonesian individual who is not a nominee of any other party. Indonesia's New Negative Investment List issued pursuant to its Presidential Regulation No. 44 of 2016 ("**DNI 2016**") which took effect on 12 May 2016, provides that a company that has business line in "trade distributors that is not affiliated with production", is permitted to have foreign shareholdings of up to 67%. Softkey Indonesia had obtained its Amendment of Principle Licence from Badan Koordinasi Penanaman Modal, being Indonesia's Investment Coordinating Board, for large scale trading business (distributor) and import with a share composition of 80% foreign ownership and 20% local ownership on 20 April 2016 (prior to the implementation of DNI 2016). Pursuant to Article 13 of DNI 2016 with regards to Transitional Provisions, Softkey Indonesia is not required to lower their foreign shareholdings from 80% to 67% as it has obtained its investment licence before the issuance of DNI 2016. As such, the maximum allowable foreign shareholding ownership of Softkey Indonesia is maintained at 80%.*

5. INFORMATION ON OUR GROUP *(CONT'D)*

Securemetric Indonesia is allowed to have a 100% foreign ownership under its Business Expansion Licence as their business activity is confined to large scale trading business and not as a distributor.

(5) 3 shares (0.003%) of Securemetric Philippines are held by the following Filipino directors who are not nominees of any other party:

Name	*No. of Shares*	*%*
Aimee Y. Asanza	*1*	*0.001*
Marc Joseph Bautista	*1*	*0.001*
William J. Dimaano	*1*	*0.001*
Total	*3*	***0.003***

Under Section 23 of the Corporation Code of the Philippines, it is mandatory that majority of the directors of a corporation organised and existing under and by virtue of the laws of the Philippines to be residents of the Philippines and every director must own at least 1 share of the corporation of which he/she is a director.

5.3.2 Securemetric Malaysia (Company No.759614-V)

(a) Background, history and principal activities

Securemetric Malaysia was incorporated in Malaysia on 17 January 2007 under the Companies Act, 1965 as a private limited company under its present name. It commenced business on 3 January 2008. It is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services.

(b) Share capital

Securemetric Malaysia has an issued share capital of RM1,000,000 comprising 1,000,000 shares, with the following changes to its issued share capital since incorporation:

Date of allotment	No. of ordinary shares	Consideration	Cumulative issued share capital	
			No. of shares	RM
17 January 2007	2	Cash	2	2
16 August 2007	99,998	Cash	100,000	100,000
15 February 2008	100,000	Cash	200,000	200,000
5 June 2015	800,000	Bonus issue	1,000,000	1,000,000

As at the LPD, there are no outstanding warrants, options, convertible or uncalled capital in Securemetric Malaysia.

(c) Shareholder and directors

As at the LPD, Securemetric Malaysia is our wholly-owned subsidiary, with the directors being Law Seeh Key and Nioo Yu Siong.

(d) Subsidiary and associated companies

As at the LPD, Securemetric Malaysia does not have any subsidiary or associated company.

5.3.3 Securemetric Vietnam (Company reference 0103682805)

(a) Background, history and principal activities

Securemetric Vietnam was incorporated in Vietnam on 30 March 2009 under the Vietnam Enterprise Law 2005 as a limited liability company under its present name. It commenced business on 4 June 2009. It is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services.

(b) Charter capital

Securemetric Vietnam has a contributed charter capital of USD100,000, with the following changes since incorporation:

Date of contribution	Amount of charter capital	Consideration	Cumulative charter capital USD
10 June 2009	52,000	Cash	52,000
10 February 2011	48,000	Cash	100,000

As at the LPD, there are no outstanding warrants, options, convertible or uncalled capital in Securemetric Vietnam.

(c) Member and director

As at the LPD, Securemetric Vietnam is our wholly-owned subsidiary, with its sole director being Law Seeh Key.

(d) Subsidiary and associated companies

As at the LPD, Securemetric Vietnam does not have any subsidiary or associated company.

5.3.4 Securemetric Philippines (Company Registration No. CS201307904)

(a) Background, history and principal activities

Securemetric Philippines was incorporated in the Philippines on 26 April 2013 under the Corporation Code of the Philippines as a private stock corporation under its present name. It commenced business on 28 May 2014. It is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services.

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(b) Share capital

Securemetric Philippines has an authorised and issued share capital of PHP10,000,000 comprising 100,000 shares with a par value of PHP100 each. The changes to its issued share capital since incorporation are as follows:

Date of allotment	No. of shares	Consideration	Cumulative issued share capital	
			No. of shares	PHP
26 April 2013	5,000	Cash	5,000	500,000
10 October 2016	55,430	Capitalisation of shareholder's advances	60,430	6,043,000
19 January 2018	39,570	Capitalisation of shareholder's advances	100,000	10,000,000

As at the LPD, there are no outstanding warrants, options, convertible or uncalled capital in Securemetric Philippines.

(c) Shareholder and directors

As at the LPD, Securemetric Philippines is our 99.997%-owned subsidiary. Its other shareholders are Aimee Y. Asanza, Marc Joseph Bautista and William J. Dimaano, who each holds one share in Securemetric Philippines. As at the LPD, the directors are Aimee Y. Asanza, Marc Joseph Bautista and William J. Dimaano.

(d) Subsidiary and associated companies

As at the LPD, Securemetric Philippines does not have any subsidiary or associated company.

5.3.5 Securemetric Indonesia (Company Registration No. 09.02.1.46.59522)

(a) Background, history and principal activities

Securemetric Indonesia was incorporated on 23 June 2008 in the Republic of Indonesia under Company Law No. 40 of 2007 as a limited liability company under its present name. It commenced business on 5 January 2009. It is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services.

(b) Share capital

Securemetric Indonesia has an authorised and issued share capital of IDR931,700,000 comprising 100,000 shares with a par value of IDR9,317 each, all of which were allotted for cash on 23 June 2008.

As at the LPD, there are no outstanding warrants, options, convertible or uncalled capital in Securemetric Indonesia.

(c) Shareholder and directors

As at the LPD, Securemetric Indonesia is our wholly-owned subsidiary, with its directors being Nioo Yu Siong and Endah Lestari.

(d) Subsidiary and associated companies

As at the LPD, Securemetric Indonesia does not have any subsidiary or associated company.

5.3.6 Securemetric Singapore (Company No. 201528340D)

(a) Background, history and principal activities

Securemetric Singapore was incorporated on 8 July 2015 in Singapore under the Companies Act (Chapter 50) of Singapore as a limited exempt private company under its present name. Prior to the completion of the Acquisition of Securemetric Singapore, Securemetric Singapore was a limited exempt private company with only 2 individual shareholders (i.e. Law Seeh Key and Nioo Yu Siong). A limited exempt private company under the Singapore's Companies Act is defined as a private company which shares are not held directly or indirectly by:

(i) any corporation; and/or

(ii) more than 20 members.

As a result of the Acquisition of Securemetric Singapore, all of Securemetric Singapore's shares are held by a single corporation (i.e. Securemetric). Hence, Securemetric Singapore no longer qualified as a limited exempt private company and Securemetric Singapore was converted into a private limited company on 4 September 2018. It commenced business on 20 August 2015. It is principally involved in the trading of electronic identification products, and other related services.

(b) Share capital

Securemetric Singapore has an issued share capital of SGD50,000 comprising 50,000 shares, all of which was allotted for cash on 8 July 2015. There has been no change to its issued share capital since its incorporation.

As at the LPD, there are no outstanding warrants, options, convertible or uncalled capital in Securemetric Singapore.

(c) Shareholder and directors

As at the LPD, Securemetric Singapore is our wholly-owned subsidiary, with its directors being Law Seeh Key, Nioo Yu Siong and Tan Yung Hui, Gabriel.

(d) Subsidiary and associated companies

As at the LPD, Securemetric Singapore does not have any subsidiary or associated company.

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5.3.7 Softkey Indonesia (Company Registration No. 09.02.1.46.58901)

(a) Background, history and principal activities

Softkey Indonesia was incorporated on 6 January 2006 in Indonesia under Company Law No.1 of 1995 as a limited liability company under its present name. It commenced business on 12 January 2006. It is principally involved in the trading of electronic identification products, and other related services.

As set out in **Section 5.1**, the incorporation of Softkey Indonesia is to expand its trading of electronic identification products into Indonesia.

(b) Share capital

Softkey Indonesia has an authorised and issued share capital of IDR979,500,000 comprising 100,000 shares with a par value of IDR9,795 each, all of which were allotted for cash on 6 January 2006.

As at the LPD, there are no outstanding warrants, options, convertible or uncalled capital in Softkey Indonesia.

(c) Shareholders and director

As at the LPD, Softkey Indonesia is our 80%-owned subsidiary. The remaining 20% equity interest is held by Leo Nugraha Kusuma (an Indonesian), who is also the sole director. Softkey Indonesia obtained its Amendment of Principle Licence from Badan Koordinasi Penanaman Modal, being Indonesia's Investment Coordinating Board, for large scale trading business (main distributor) and import with a share composition of 80% foreign ownership and 20% local ownership on 20 April 2016. Pursuant to Indonesian investment regulations, Softkey Indonesia is required to maintain a foreign ownership of 80% equity interest.

(d) Subsidiary and associated companies

As at the LPD, Softkey Indonesia does not have any subsidiary or associated company.

5.4 Restructuring through Acquisitions

5.4.1 Acquisition of Securemetric Malaysia

We had on 2 February 2018 entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest of Securemetric Malaysia comprising 1,000,000 ordinary shares for a purchase consideration of RM9,916,998, satisfied through the issuance of 123,962,475 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Malaysia, as follows:

Vendors	No. of Securemetric Malaysia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	890,000	89.00	110,326,603
Nioo Yu Siong	110,000	11.00	13,635,872
Total	**1,000,000**	**100.00**	**123,962,475**

The purchase consideration was based on Securemetric Malaysia's audited NA as at 31 December 2016 of RM9,917,500 and is at a discount of RM502 or 0.01% to the audited NA. The conditional share sale and purchase agreement is governed by the laws of Malaysia. The Acquisition of Securemetric Malaysia was completed on 31 July 2018.

5.4.2 Acquisition of Securemetric Vietnam

We had on 2 February 2018 entered into separate conditional sale and purchase agreements (as supplemented by the supplemental agreements all dated 19 July 2018) with each of the Vendors of Securemetric Vietnam to acquire Securemetric Vietnam's entire USD100,000 contributed charter capital, satisfied through a total cash consideration of USD165,192 (equivalent to RM644,000 at the exchange rate of RM1.00: USD0.25651 as mutually agreed in the agreements). The purchase consideration was based on Securemetric Vietnam's audited NA as at 31 December 2016 of RM644,549 and is at a discount of RM549 or 0.09% to the audited NA. The conditional sale and purchase agreements are governed by the laws of Vietnam. The Acquisition of Securemetric Vietnam was completed on 4 September 2018.

The Vendors of Securemetric Vietnam had advanced cash of USD165,192 (equivalent in amount to the purchase consideration) to Securemetric Berhad. The advances had been capitalised with the issuance of 8,050,000 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Vietnam.

The Acquisition of Securemetric Vietnam was satisfied in cash because under Vietnamese law, any form of consideration other than cash would require an independent valuation to be undertaken on the consideration (namely, the new Securemetric Shares to be issued). The valuation may be time consuming, involve additional cost and furthermore be subject to challenge by the relevant Vietnamese licensing authority. Such an arrangement is not in breach of any laws in Vietnam and Malaysia.

The Vendors of Securemetric Vietnam have received new Securemetric Shares from the capitalisation of their advances as follows:

Vendors	Advances made to Securemetric (USD)	%	No. of Securemetric Shares issued
Law Seeh Key	80,944	49.0	3,944,500
Li Jianjun	79,292	48.0	3,864,000
Nioo Yu Siong	4,956	3.0	241,500
Total	**165,192**	**100.0**	**8,050,000**

5.4.3 Acquisition of Securemetric Philippines

We had on 2 February 2018 entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 99.997% equity interest of Securemetric Philippines comprising 99,997 shares for a purchase consideration of RM681,000, satisfied through the issuance of 8,512,500 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Philippines, as follows:

Vendors	No. of Securemetric Philippines shares	%	No. of Securemetric Shares issued as consideration
Nioo Yu Siong	87,911	87.911	7,483,648
Law Seeh Key	12,086	12.086	1,028,852
Total	**99,997**	**99.997**	**8,512,500**

The purchase consideration was based on Securemetric Philippines' adjusted audited NA as at 31 December 2016 of RM681,238 (comprising audited NA of RM266,395 (equivalent to PHP3,617,873 at the exchange rate of RM1.00: PHP13.58142) adjusted for the increase in issued share capital of RM414,843) and is at a discount of RM238 or 0.03% to the adjusted audited NA. The conditional share sale and purchase agreement is governed by the laws of Malaysia. The Acquisition of Securemetric Philippines was completed on 4 September 2018.

5.4.4 Acquisition of Securemetric Indonesia

We had on 2 February 2018 entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest of Securemetric Indonesia comprising 100,000 shares for a purchase consideration of RM1,358,000, satisfied through the issuance of 16,975,000 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Indonesia, as follows:

Vendors	No. of Securemetric Indonesia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	47,000	47.00	7,978,250
Nioo Yu Siong	5,000	5.00	848,750
Li Jianjun	48,000	48.00	8,148,000
Total	**100,000**	**100.00**	**16,975,000**

The purchase consideration was based on Securemetric Indonesia's audited NA as at 31 December 2016 of RM1,358,878 (equivalent to IDR4,127,178,611 at the exchange rate of RM1.00: IDR3,030.30303) and is at a discount of RM878 or 0.06% to the audited NA. The conditional share sale and purchase agreement is governed by the laws of Malaysia. The Acquisition of Securemetric Indonesia was completed on 4 September 2018.

5.4.5 Acquisition of Securemetric Singapore

We had on 2 February 2018 entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest of Securemetric Singapore comprising 50,000 shares for a purchase consideration of RM275,000, satisfied through the issuance of 3,437,500 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Singapore, as follows:

Vendors	No. of Securemetric Singapore shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	44,500	89.00	3,059,375
Nioo Yu Siong	5,500	11.00	378,125
Total	**50,000**	**100.00**	**3,437,500**

The purchase consideration was based on Securemetric Singapore's audited NA as at 31 December 2016 of RM275,401 (equivalent to SGD90,451 at the exchange rate of RM1.00: SGD0.32841) and is at a discount of RM401 or 0.15% to the audited NA. The conditional share sale and purchase agreement is governed by the laws of Malaysia. The Acquisition of Securemetric Singapore was completed on 4 September 2018.

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5.4.6 Acquisition of Softkey Indonesia

We had on 2 February 2018 entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 80% equity interest of Softkey Indonesia comprising 80,000 shares for a purchase consideration of RM1,173,000, satisfied through the issuance of 14,662,500 new Securemetric Shares at RM0.08 each to the Vendor of Softkey Indonesia, as follows:

Vendor	No. of Softkey Indonesia shares	%	No. of Securemetric Shares issued as consideration
Yong Kim Fui	80,000	80.00	14,662,500

The purchase consideration was based on Softkey Indonesia's audited NA as at 31 December 2016 of RM1,467,478 (equivalent to IDR4,446,904,138 at the exchange rate of RM1.00: IDR3,030.30303) and is at a discount of RM982 or 0.08% to the audited NA. The conditional share sale and purchase agreement is governed by the laws of Malaysia. The Acquisition of Softkey Indonesia was completed on 4 September 2018.

5.5 Listing Scheme

5.5.1 Public Issue

A public issue of 68,000,000 new Securemetric Shares, representing approximately 27.9% of our enlarged issued share capital, will be made at the Issue Price in the following allocation:-

Allocation of Shares	Number of Shares allocated
Shares available for application by Malaysian Public	17,000,000
Shares for private placement to selected investors	48,000,000
Shares available for eligible employees of our Group	3,000,000
Total size of Public Issue	**68,000,000**

No offer for sale will be undertaken as part of our IPO.

5.5.2 Listing

The admission to the Official List and the listing of and quotation for our entire enlarged issued share capital of RM31,048,000 comprising 243,600,000 Securemetric Shares on the ACE Market of Bursa Securities.

5.6 Material Capital Expenditures and Divestitures

We did not make any material capital expenditures and divestitures in FYEs 31 December 2015 to 2017 and in 4M-FPE 30 April 2018.

Between 1 May 2018 and LPD, our Group made total capital expenditure of RM0.22 million on furniture and fittings, office equipment and renovation for the expansion of our technology division. These were financed by our internally-generated funds.

5. INFORMATION ON OUR GROUP *(CONT'D)*

5.7 Key Awards, Certification and Recognitions

Our key awards, certifications and recognitions since our inception are as follows:

Year	Awards, Certifications and Recognitions
2008	• PKI token, namely *SecureDongle* and *SecureToken*, received CE and FCC compliance verification.
2011	• PKI token, namely *SecureToken ST3*, won Best of Security in MSC Malaysia Asia Pacific ICT Alliance ("**APICTA**") Awards. • PKI token, namely *SecureToken ST3*, won Merit in Best of Security Application in APICTA Awards. • PKI token, namely *SecureToken ST3*, completed MyCC EAL1 certification. • Securemetric Malaysia was rated AA for 1-InnoCERT[1] rating. • CENTAGATE® was registered as a trademark in Malaysia.
2012	• Securemetric Malaysia won the Gold Award in the private sector category for ASEAN ICT Awards by the ASEAN Telecommunications and Information Technology Ministers. • Token management system, namely *SecureTMS RA*, certified by MSC Malaysia Software Product Assessment & Rating Standard (Ver. 4.0) and independently reviewed by TUV Rheinland, a technical services provider based in Germany. • Securemetric Malaysia received ISO 9001:2008 certification for the provision of sales and marketing, research and development, implementation and support services for hardware and software digital solutions. • CENTAGATE® was registered as a trademark in Singapore, Thailand, Indonesia and Vietnam.
2013	• Securemetric Malaysia won Cyber Security Company of the Year by CyberSecurity Malaysia. • PKI token, namely *SecureToken ST3 ACE*, completed MyCC EAL2 certification. • CENTAGATE® was registered as a trademark in the Philippines.
2014	• PKI IN A BOX won Best of Security in MSC Malaysia APICTA awards. • Securemetric Malaysia received ISO 10002:2014 certification for the provision of sales and marketing, research and development, implementation and support services for hardware and software digital solutions.
2015	• PKI token, namely *SecureToken ST3 ACE*, completed FIPS 140-2 validation certification (Level 3). • Securemetric Malaysia won Silver for Best Global Market in Star Outstanding Business Awards ("**SOBA**") 2015. • 2FA, namely IDENOS token, was certified by FIDO U2F. • PKI IN A BOX won Cyber Security Project of the Year by Cyber Security Malaysia. Securemetric Malaysia was rated A for 1-InnoCERT[(1)] rating.
2016	• Securemetric Malaysia won Platinum for Best in Marketing, Gold for Best Innovation and Silver for Best Global Market in SOBA 2016.
2017	• CENTAGATE® completed MyCC EAL4+ certification. • Securemetric Malaysia received Certificate of Excellence-2017 Awardee from The Silicon Review in conjunction with the annual listing of "Silicon 100". • Securemetric Malaysia achieved 4-stars rating for the year 2017 under the SME Competitiveness Rating for Enhancement (ICT) by SME Corporation Malaysia. • Securemetric Malaysia won Cyber Security Project of the Year by CyberSecurity Malaysia.

1-InnoCERT certification programme *is initiated by SME Corporation Malaysia to promote and develop innovative companies in Malaysia. It is aimed at fostering innovative enterprise through harnessing and intensifying home-grown innovations and research and development. The certification awarded under this programme identifies and verifies innovative companies through an internationally-recognised innovation standard (OECD Oslo Manual V3) and the certification process is developed from similar process practised in Korea's Innobiz (Innovation SME) Certification Programme. Certified companies under the programme will be given a fast-track access when applying for incentives to fund and market their products and services as offered by the government.*

5. INFORMATION ON OUR GROUP *(CONT'D)*

5.8 Business Overview

5.8.1 Principal activities and products/services

Our Group is principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services as illustrated below:

Business activities		Own brands		Third party brands (Trading)
		Hardware[iii]	Software[iv][v]	
(a)	**Digital Security Solutions**			
	- Software licensing protection dongles			
	• Device[i]	Casing with printed circuit board and basic OS[vi] with software installed in it	• Firmware[vii] • Software development kit • Licensing protection software • Anti-cracking software	Software licensing protection dongles
	- 2FA			
	• Device[i]	Casing with printed circuit board and basic OS[vi] with software installed in it	• Firmware[vii]	-
	• Application software[ii]	-	• Back-end authentication software • Mobile OTP software	-
	- PKI			
	• Device[i]	Casing with printed circuit board and basic OS[vi] with software installed in it	• Firmware[vii] • Middleware[viii] • Software development kit	• PKI appliances • HSMs
	• Application software[ii]	-	• Token management system • Certification authority back-end system • Digital signing software	• Certification authority back-end system • Digital signing software
	- CENTAGATE®			
	-	-	• CENTAGATE® software	-
(b)	**Electronic Identification products**	**Own brands**		**Third party brands (Trading)**
	Device[i]	-		• Smart cards and smart card readers • Fingerprint readers • Others such as barcode scanners and printers, card printers, proximity cards, UHF tags and middle/ long range integrated readers
(c)	**Other related services**	• Maintenance services for 2FA, PKI and CENTAGATE® projects • Labelling and packaging services for OTP tokens and PKI tokens		

Notes:

*(i) A **device** is an electronic item comprising hardware and software integrated to perform specific functions.*

*(ii) **Application software** is a program or a group of programs which is designed for the end users to perform a specific task or function; it is often called end-user programs.*

*(iii) **Hardware** is the physical component that, together with software, form a device. Hardware and software work together to enable the device to perform its functions.*

*(iv) **Software** is the digital instructions that are readable by hardware. Hardware and software work together to enable a device to perform its functions.*

(v) In-house software/ application software designed and developed by our Group.

*(vi) **Casing with printed circuit board and basic OS** is manufactured by third party manufacturer. The software installed in the device is designed and developed by our Group.*

*(vii) **Firmware** is a programming that is embedded to a device when it is manufactured, often called "software for device" that allows the device to run.*

*(viii) **Middleware** is a software that enables communication and data management between different application software and hardware.*

Section 5.8.1.1 to 5.8.1.3 of this Prospectus contains the details of our principal activities and product/ services.

Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines and Securemetric Indonesia are involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services in their respective countries. Securemetric Singapore and Softkey Indonesia are involved in the trading of electronic identification products, and other related services in their respective countries.

The operations of our Group's subsidiaries do not directly complement one another. However, the operations of our Group's subsidiaries represent our Group's presence in their respective countries. Securemetric Malaysia, as our head office, provides sales, marketing and technical support to our Group's other subsidiaries and is also directly involved in certain projects in the countries in which our other subsidiaries are located.

5.8.1.1 Digital security solutions

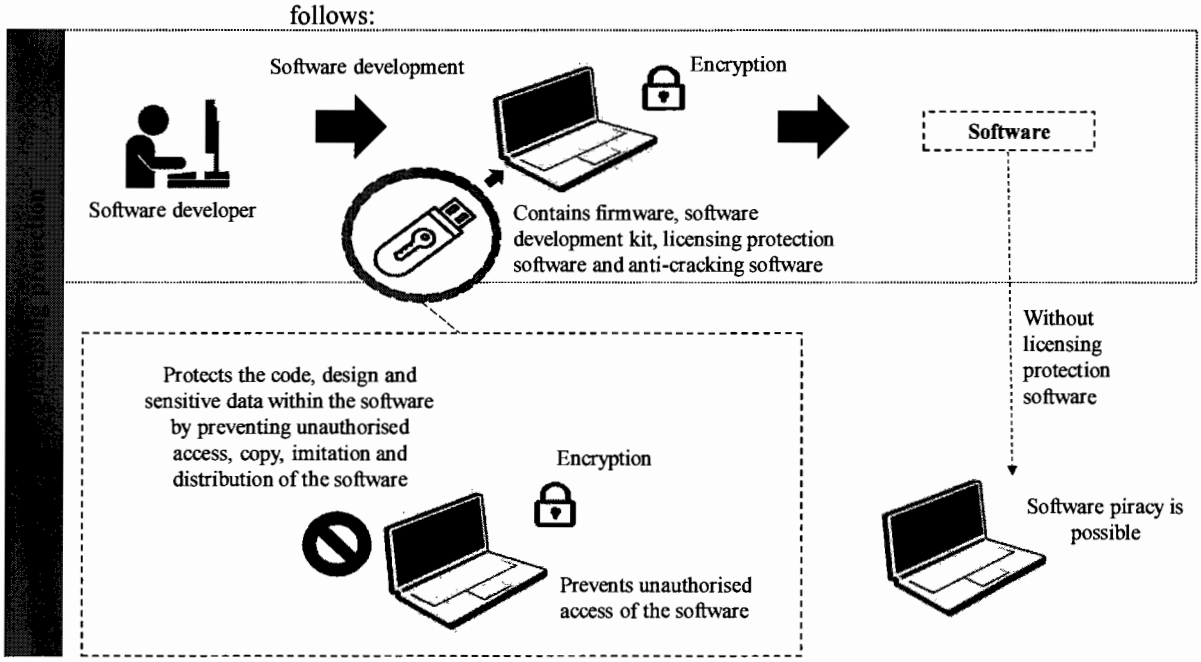
Our digital security solutions are detailed as follows:

(i) Software licensing protection

Description of software licensing protection

Software licensing protection is a technology used to prevent the unauthorised access, copy, imitation and distribution of software, i.e. software piracy, to protect the owner who has the exclusive rights to the software to ensure only paying customers have access to the use of the software. Our software licensing protection comes in the form of a USB dongle that contains software (i.e. firmware, software development kit, licensing protection software and anti-cracking software). It prevents unauthorised access of the software.

An illustration on how software licensing protection works is shown as follows:



5. INFORMATION ON OUR GROUP *(CONT'D)*

Our Group's principal activities and business model in software licensing protection

We design, develop, market and sell our own software licensing protection dongles and we also distribute third party software licensing protection dongles. Our software licensing protection dongles are devices that comprise hardware which is a casing with printed circuit board and basic OS, with software (i.e. firmware, software development kit, licensing protection software and anti-cracking software) installed. The customers for our software licensing protection dongles are software development companies.

For our own software licensing protection dongles, our Group is involved in the product design and development. We design, develop and program the software (i.e. firmware, software development kit, licensing protection software and anti-cracking software) that are installed in our software licensing protection dongles. The manufacturing of the casing with printed circuit board and basic OS of the device is carried out by a third party manufacturer based on our requirements.

For the FYEs and 4M-FPEs under review, the revenue and gross profit for software licensing protection dongles, segregated into our own and third party software licensing protection dongles, are as follows:

Software licensing protection dongles	**FYE 31 December**						**4M-FPE 30 April**			
	2015		**2016**		**2017**		**2017**		**2018**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Revenue										
- Own	2,187	*56.6*	2,487	*57.0*	2,405	*69.7*	831	*71.3*	681	*64.0*
- Third party	1,677	*43.4*	1,878	*43.0*	1,047	*30.3*	334	*28.7*	383	*36.0*
Total	**3,864**	***100.0***	**4,365**	***100.0***	**3,452**	***100.0***	**1,165**	***100.0***	**1,064**	***100.0***

Software licensing protection dongles	**FYE 31 December**						**4M-FPE 30 April**			
	2015		**2016**		**2017**		**2017**		**2018**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Gross profit										
- Own	1,881	*69.7*	1,497	*51.6*	1,453	*63.4*	495	*65.0*	395	*56.5*
- Third party	819	*30.3*	1,403	*48.4*	837	*36.6*	266	*35.0*	304	*43.5*
Total	**2,700**	***100.0***	**2,900**	***100.0***	**2,290**	***100.0***	**761**	***100.0***	**699**	***100.0***

Our Group provides 1-year warranty for our own software licensing protection dongles. We have a back-to-back agreement with our third party manufacturer for the warranty of the casing with printed circuit board and basic OS.

Our Group also provides 1-year warranty for software licensing protection dongles sourced from the third party supplier. We have a back-to-back agreement with our third party supplier for the warranty.

For the FYEs and 4M-FPEs under review, the warranty claims for software licensing protection dongles are as follows:

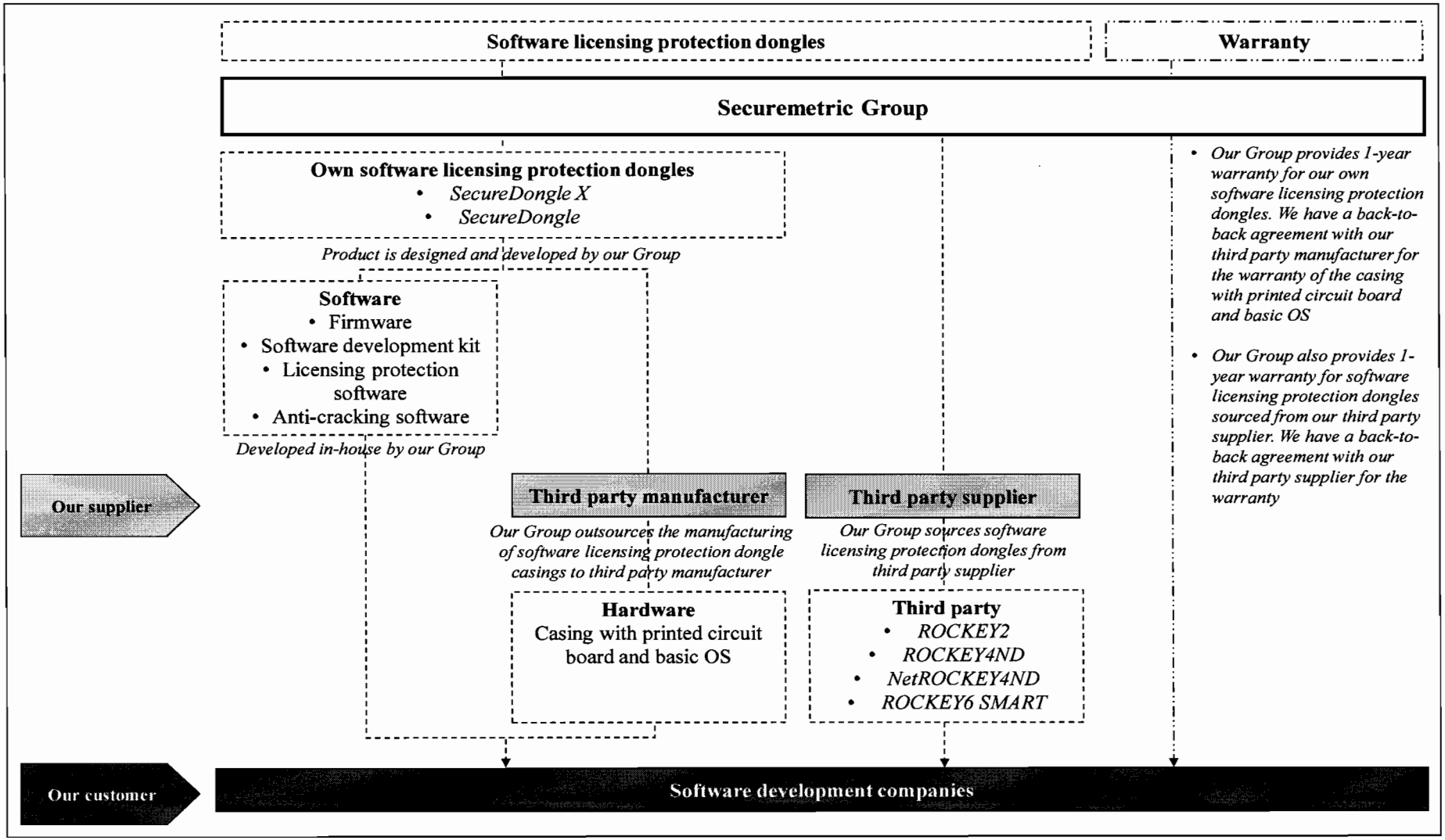
Software licensing protection dongles	**FYE 31 December**			**4M-FPE 30 April**	
	2015	**2016**	**2017**	**2017**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Warranty claims	*	1	2	1	*

Note:
* *Negligible*

Our third party manufacturer is also our third party supplier for software licensing protection dongles.

We do not provide maintenance service for our software licensing protection dongles as the product does not require any maintenance service.

5. INFORMATION ON OUR GROUP (*CONT'D*)



5. INFORMATION ON OUR GROUP (*CONT'D*)

Our Group's principal products/services in software licensing protection dongles

We offer our customers two options, namely our own as well as third party software licensing protection dongles, according to our customers' procurement policies and preferences.

The details of our software licensing protection dongles are as follows:

Brand/Image	Description
SecureDongle X 	• Basic protection features • Software-based encryption, where the encryption algorithm runs in the computer of the user • Built on secure EEPROM platform
SecureDongle 	• Enhanced protection features • Hardware-based algorithm, where the encryption algorithm runs in the dongle • Has software-based timer to recognise software expiry date (required for software sold on subscription basis) • Built on microprocessor chip

The details of our third party software licensing protection dongles are as follows:

Brand/Image	Description
ROCKEY2 	• Basic security features • Built on secure EEPROM platform
ROCKEY4ND 	• Enhanced protection features • Built on secure EEPROM platform
NetROCKEY4ND 	• For network-based applications with pre-set concurrent user licenses • Enhanced protection features • Built on secure EEPROM platform
ROCKEY6 SMART 	• Advanced onboard protection features • Contains part of program code of a particular software, with the execution of the code taking place in the dongle • Built on microprocessor chip

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5. INFORMATION ON OUR GROUP *(CONT'D)*

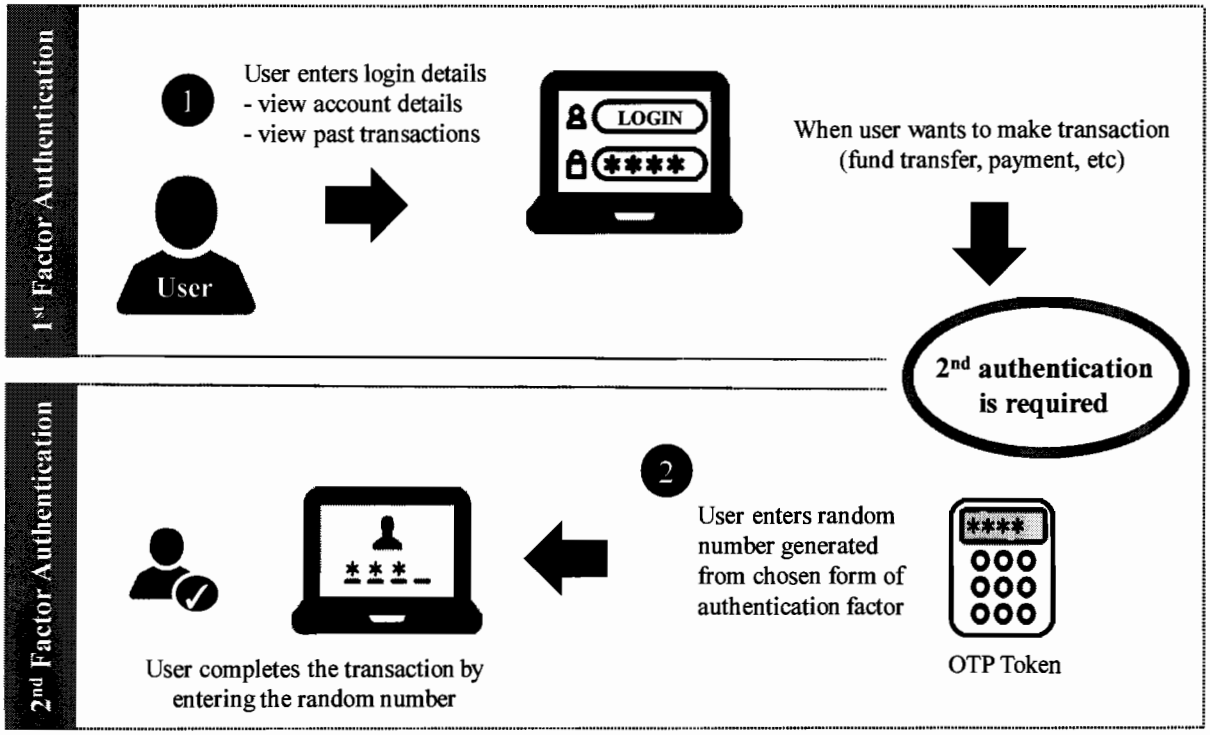
(ii) Two-factor authentication ("**2FA**")

Description of 2FA

2FA is an authentication process where two factors of authentication are combined to carry out an electronic transaction. It requires the user's password and username, as well as something that only the user has with him/her, such as a physical token that generates a random number.

An example of an application that uses 2FA is when a user performs an online banking transaction. Firstly, the user is required to log into the user's account with the user's username and password (this is the first factor of authentication). When the user wants to perform a transaction, a second authentication factor will be required, such as a random number. The random number will be generated by the chosen form of authentication factor (for example, by a OTP token which the user has in his/her possession, by a mobile OTP software installed in the user's mobile phone or through SMS OTP sent to his/her mobile phone) and the user completes the transaction by entering the random number.

An illustration on how 2FA works is shown as follows:



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5. INFORMATION ON OUR GROUP *(CONT'D)*

Our Group's principal activities and business model in 2FA solutions

We design, develop, market and sell our own 2FA solutions under our own brands. We do not sell third party 2FA solutions. The customers for our 2FA solutions are enterprises and organisations, primarily financial institutions and Government organisations. We also sell directly to IT service providers. IT service providers are IT companies who purchase OTP tokens from our Group for integration with other third party software. Our 2FA solutions are made up of two components:

(i) Device, namely the OTP token. An OTP token is a device comprising a casing with printed circuit board and basic OS, with software (i.e. firmware) installed in it; and

(ii) Application software, namely back-end authentication software and mobile OTP software.

Our 2FA solutions consist of either device (i.e. OTP tokens) combined with application software which can be sold together, or our OTP tokens which can be sold separately.

Our Group is involved in the product design and development of our 2FA solutions.

For our 2FA device (i.e. OTP tokens), we design, develop and program the software installed in the OTP tokens comprising firmware based on OATH standards. The manufacturing of the casing with printed circuit board and basic OS of the OTP token is carried out by our third party manufacturer based on our requirements.

For our 2FA application software, we design, develop and program our back-end authentication software and mobile OTP software in-house based on OATH standards.

Our Group provides 1-year warranty for our OTP tokens. We have a back-to-back agreement with our third party manufacturer for the warranty of the casing with printed circuit board and basic OS. We may however choose to bear warranty claims by our customers for damaged inventories if the amounts are immaterial or the incidental cost for us to make the claims from our third party manufacturer is higher than the value of the inventories. Generally, 2FA products may at times be damaged because of unresponsive printed circuit boards or faulty basic OS.

For the FYEs and 4M-FPEs under review, the warranty claims for 2FA are as follows:

Warranty claims	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
2FA	-	*	4(1)	3(2)	-

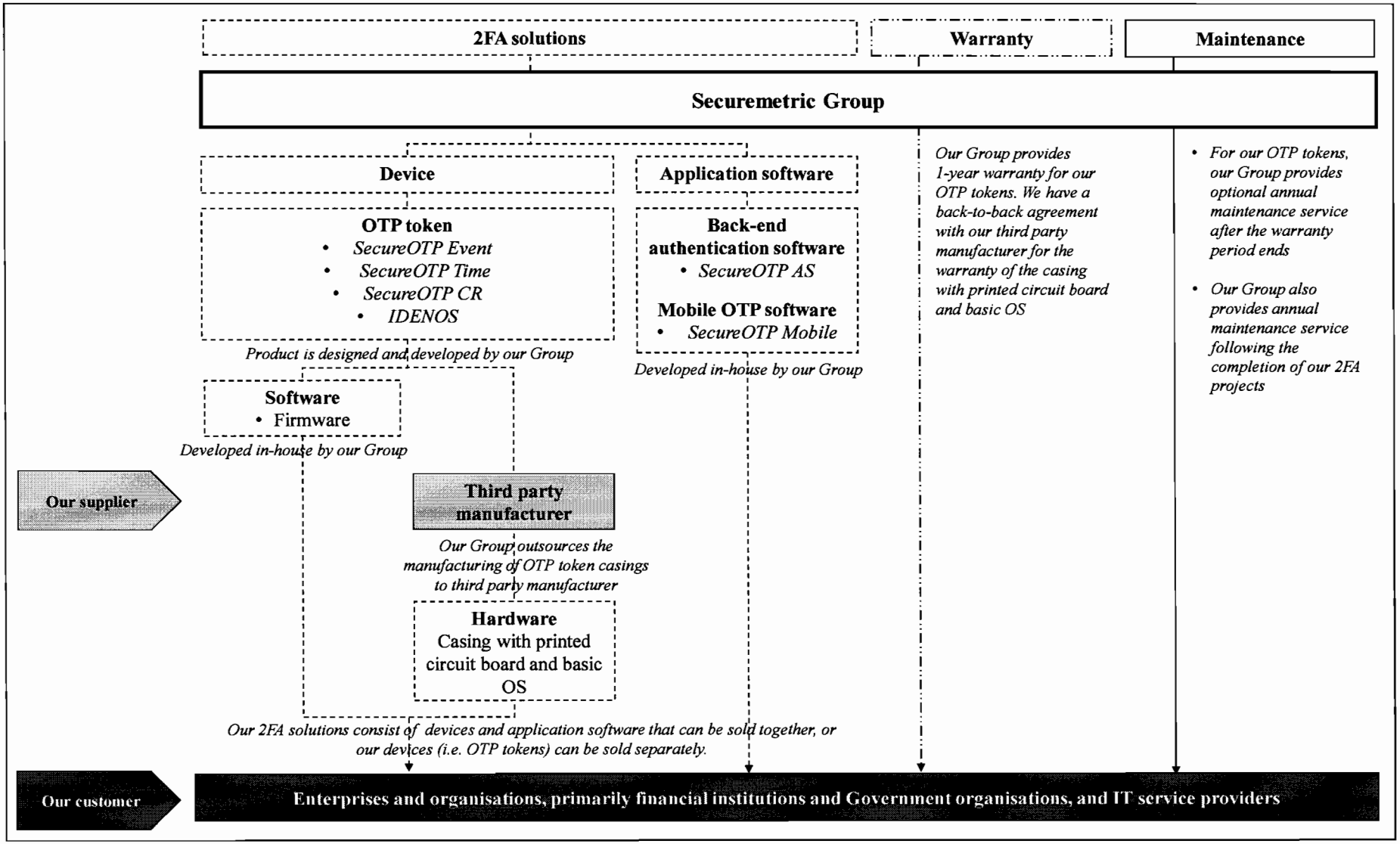
Notes:

* *Negligible*

(1) The warranty claims (which represents 44.4% of the total warranty claims for FYE 31 December 2017) is in respect of damaged 2FA products (such as unresponsive display screen on the casing) claimed by our customers. Total warranty claims are categorised as 'Others' under 'Administrative expenses' in ***Section 10.5.5****.*

(2) The warranty claims (which represents 60.0% of the total warranty claims for 4M-FPE 30 April 2017) is in respect of damaged 2FA products (such as unresponsive display screen on the casing) claimed by our customer. Total warranty claims are categorised as 'Others' under 'Administrative expenses' in ***Section 10.5.5****.*

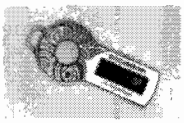
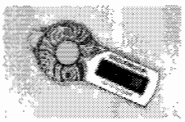
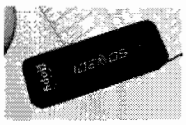
5. INFORMATION ON OUR GROUP (*CONT'D*)



5. INFORMATION ON OUR GROUP (*CONT'D*)

Our Group's principal products/services in 2FA solutions

The details of our 2FA solutions are as follows:

Device	Brand/Image	Description
OTP token	*SecureOTP Event* 	*SecureOTP Event* is an OTP token that generates a random number for one time use before completing an online transaction and the random number is valid only for that particular transaction. The user presses a button on the token and a random number will be generated.
	SecureOTP Time 	*SecureOTP Time* is an OTP token that generates a random number for one time use based on real time clock (in the token and in *SecureOTP AS*, the authentication server). Before completing an online transaction, the user presses a button on the token and a random number will be generated. The random number is valid for a specified period of time, after which the random number expires.
	SecureOTP CR 	*SecureOTP CR* is an OTP token that is based on Challenge Response Algorithms that effectively establish mutual authentication to take place. It will require the user to enter a given random number from the online application as a Challenge and the user needs to key in that given random number into the token. The token generates another random number and the user needs to key in that random number as a Response back into the online application.
	IDENOS 	*IDENOS* is a security key based on Fast IDentity Online (FIDO) standards. FIDO is an online authentication standard based on specifications and certifications from the FIDO Alliance. The FIDO Alliance is a non-profit organisation formed to address the lack of interoperability among authentication systems as well as the problems internet users face with creating and remembering multiple usernames and passwords for different application software. The user needs to authorise by pressing a button on the token, where all authentication processes are performed within the token and the application, which is transparent to the users.

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5. INFORMATION ON OUR GROUP *(CONT'D)*

Application software	Brand/Image	Description
Back-end authentication software	*SecureOTP AS*	A back-end authentication software that includes user authentication; management of cryptography keys; administration module to manage security policies, tokens and users; user portal for users' self-administration and application integration interfaces. This application software can be integrated with SMS gateway to provide a random number through SMS (i.e. SMS OTP).
Mobile OTP software	*SecureOTP Mobile*	A mobile-based OTP module, where a mobile application will be installed in the user's mobile phone or integrated to our client's mobile application. Before completing a transaction, a random number will be generated from the mobile-based OTP module. The random number is keyed into our client's mobile application to complete the transaction.

(iii) PKI

Description of PKI

PKI allows users of public networks such as the Internet to exchange data securely by enabling authorisation and verification of electronic transactions and documents exchanged, using digital certificates to perform digital signing. In Malaysia, Digital Signature Act 1997 was introduced to regulate the commissioning and licensing of CA as well as to introduce and implement the usage of digital signatures for electronic commercial transactions. It is a system comprising a set of devices and application software needed to create, manage, distribute, use, store, revoke and validate digital certificates.

At the heart of the PKI is the concept of digital certificates. These certificates are very small files that can be stored on a computer, USB token or a device known as a HSM. Through the use of certificates issued and digitally signed by a CA, which is an authority or trusted entity that issue digital certificates, the PKI ensures that the sender of data is indeed the source and that the said data has not been tampered in transit. PKI is used to encrypt/decrypt and digitally sign emails, electronic documents and online transactions, amongst others.

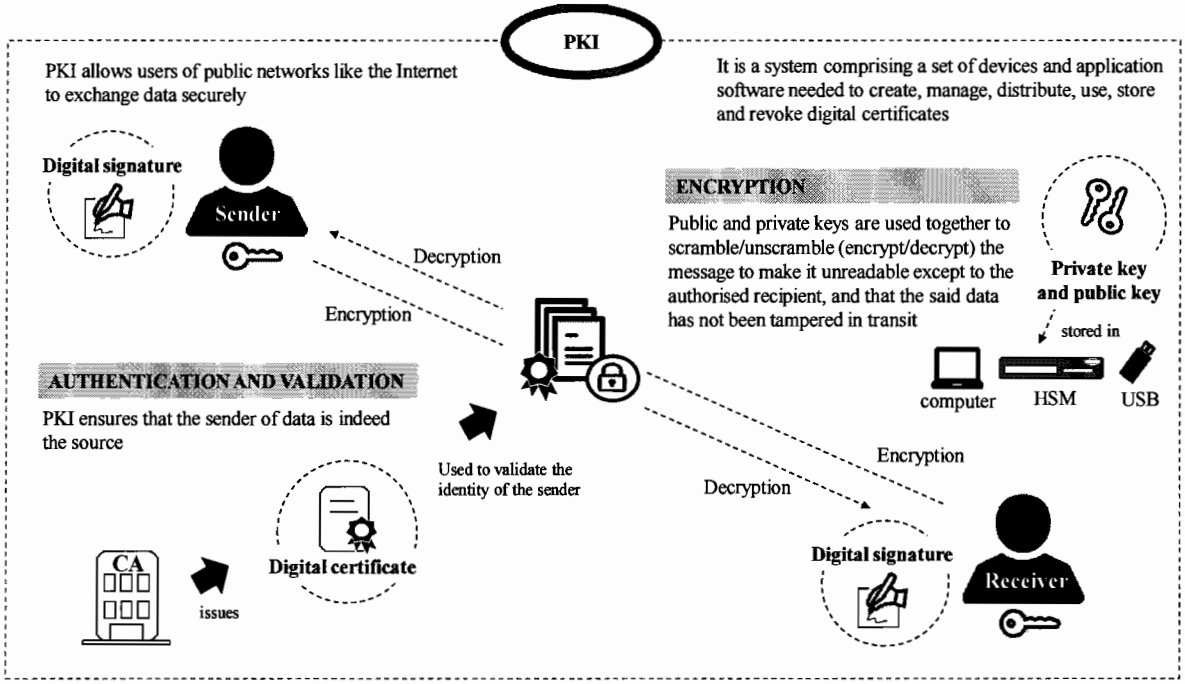
Any online transaction and/or communication that needs to be securely transmitted and where the identity of the sender is verified can benefit from the use of PKI.

A digital certificate is used to prove the identity of the sender and can be used to perform digital signing. A digital certificate typically contains the name of the certificate holder, a serial number, expiration dates, a copy of the certificate holder's public key and the identity of the CA. This information in a digital certificate enables the recipient to verify that the certificate is authentic. Once the digital certificate is verified, it also authenticates the digital signature of the sender. With this, the recipient is able to authenticate the identity of the sender.

In PKI, public and private key are used together to scramble/unscramble (encrypt/decrypt) the message to make it unreadable except to the authorised recipient. The recipient's public key is used by the sender to encrypt the message. In order for the recipient to read the encrypted message, the recipient would need the private key that matches the public key that was used to encrypt the message. The recipient uses this private key to unscramble (decrypt) the message.

As with digital certificates, public and private keys are also stored on a computer, USB token or a device known as a HSM. The encryption and decryption by using public and private keys take place in those devices.

An illustration on how PKI works is shown as follows:



Our Group's principal activities and business model in PKI

We design, develop and implement PKI solutions. The customers for our PKI solutions are enterprises and organisations, primarily financial institutions, Government organisations and public CAs. We also sell directly to IT service providers. IT service providers are IT companies who purchase PKI solutions from our Group for integration with other third party systems. Our PKI solutions are made up of two components:

(i) Devices; namely PKI tokens and HSMs. A PKI token is a device comprising a casing with printed circuit board and basic OS, with software (i.e. firmware, middleware and software development kit) installed in it; and
(ii) Application software, namely the PKI token management system, certification authority back-end system and digital signing software.

Our PKI solutions consist of devices and application software that can be sold together, or our PKI tokens can be sold separately.

For our PKI devices (i.e. PKI tokens), we design, develop and program software that is installed in the PKI tokens comprising firmware, middleware and software development kit. The manufacturing of the casing with printed circuit board and basic OS of the PKI tokens is carried out by third party manufacturer based on our requirements. We sell PKI tokens under our own brands. We do not sell PKI tokens under third party brands. The PKI appliances and HSMs are sourced from third party suppliers.

For PKI application software, we design, develop and program our PKI token management system, certification authority back-end system and digital signing software under our own brands. We also source certification authority back-end system and digital signing software from third party suppliers. For the certification authority back-end engine and digital signing software, we either offer our own application software or distribute third party application software, depending on our customers' preference.

5. INFORMATION ON OUR GROUP *(CONT'D)*

Our Group provides 1-year warranty for our PKI tokens. We have a back-to-back agreement with our third party manufacturer for the casing with printed circuit board and basic OS.

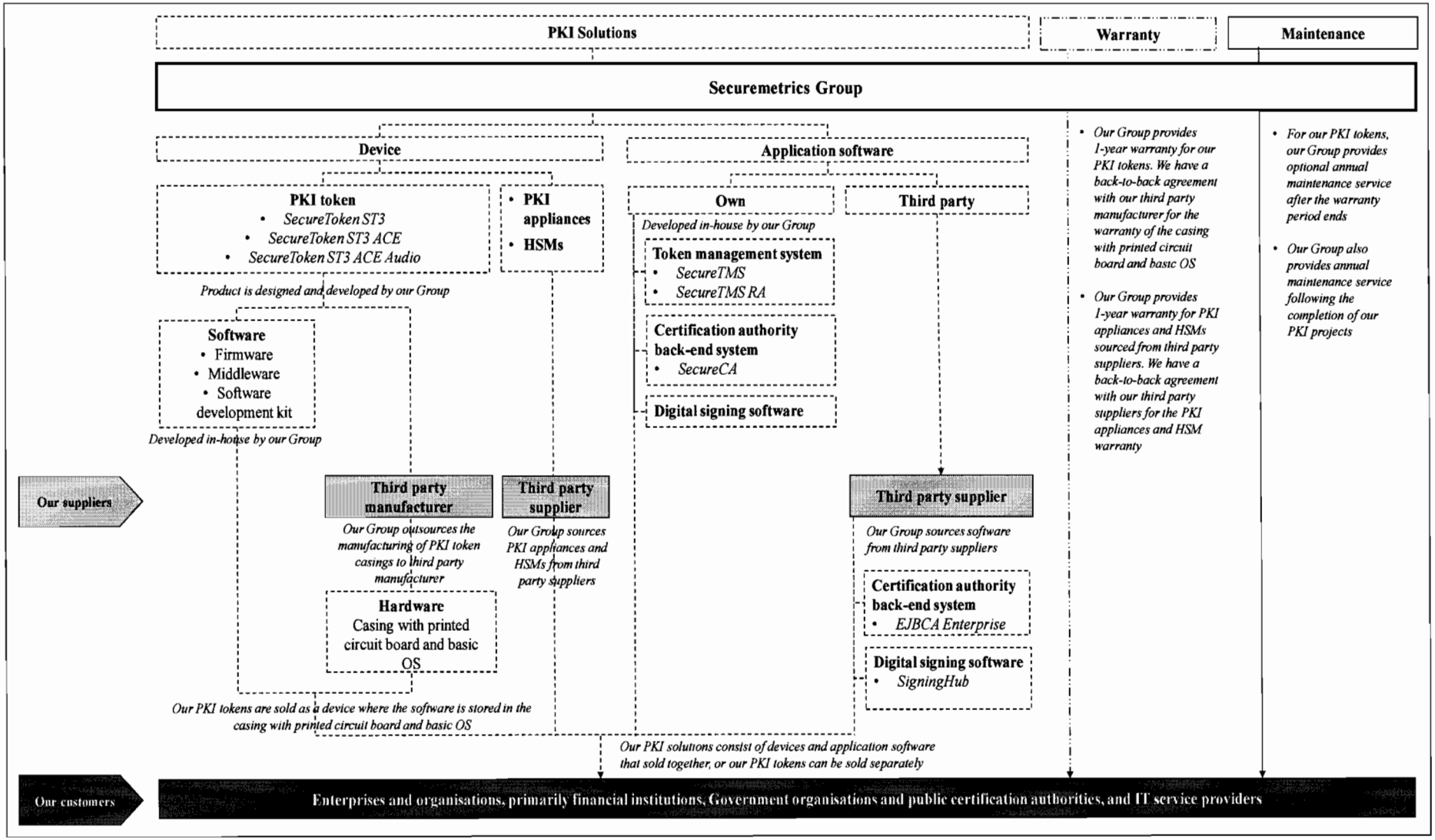
Our Group provides 1-year warranty for PKI appliances and HSMs sourced from third party supplier. We have a back-to-back agreement with our third party supplier for the PKI appliance and HSM warranty.

For the FYEs and 4M-FPEs under review, the warranty claims for PKI are as follows:

Warranty claims	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
PKI	1	8	-	-	-

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5. INFORMATION ON OUR GROUP (*CONT'D*)



5. INFORMATION ON OUR GROUP (*CONT'D*)

We offer customised and off-the-shelf PKI solutions as follows:

(a) Customised PKI solutions

We implement PKI solutions as customised solutions on project basis. We design and develop the required software (for example firmware, middleware, software development kit, token management system, certification authority back-end system and digital signing software) and/or use third party application software (for example *EJBCA Enterprise, SigningHub*); and use a combination of in-house devices (for example PKI token) and third party devices (for example HSM) to deploy our customised PKI solutions.

(b) Off-the-Shelf PKI solutions (known as PKI IN A BOX)

Our PKI IN A BOX is an off-the-shelf PKI solution and is offered to customers who require a PKI solution which contains a set of predetermined specifications and can be deployed faster than a customised PKI solution. It comprises software such as firmware, middleware, software development kit, PKI token management system, certification authority back-end system and digital signing software all packaged into a PKI appliance; and supports PKI token and digital certificate lifecycle management in a single system. Our PKI IN A BOX solution is built on a PKI appliance supplied by PrimeKey Solutions AB, and is customised and integrated with our SecureTMS RA and related firmware.

Our Group's principal products/services in PKI

The details of our PKI solutions are as follows:

Device	Brand/Image	Description
PKI token	*SecureToken ST3* * 	A USB token that is used for storing and managing digital certificates and cryptography software. The encryption and decryption of public and private keys takes place in this token.
	SecureToken ST3 ACE * 	Similar to *SecureToken ST3* but *SecureToken ST3 ACE* has completed FIPS validation certification (Level 3), i.e. certified to higher level of protection. Most of the PKI processes (i.e. key pair generation, certificate lifecycle activities, token pin unblocking, middleware update and troubleshooting) can be automated and transparent to the users.
	*SecureToken ST3 ACE Audio** 	A token with similar features as *SecureToken ST3 ACE* developed for smartphones and used in mobile banking applications. It is used through the standard 3.5mm headphone jack on smartphones to provide digital signatures to secure a transaction.
PKI appliances #		Physical equipment to house devices and application software required for a PKI solution.
HSM #		HSM is a dedicated cryptography server that is used to generate key pairs, safeguard keys and also to perform all needed cryptography functionalities within a secure and temper proof environment. HSM is usually deployed in security implementations which require higher levels of security and regulatory compliance.

5. INFORMATION ON OUR GROUP *(CONT'D)*

Device	Brand/Image	Description
		We distribute two HSM brands from Europe, namely Utimaco from Utimaco IS GmbH and AEP from Afiintra Technologies Sdn Bhd (distributor for Ultra Electronics AEP).

Notes:

* *In-house brand designed and developed by our Group*
\# *Sourced from third party*

Application software	Brand	Description
Token management system	*SecureTMS* *	A software used for managing the lifecycle of PKI tokens, administrative permission controls, user and group management, reporting and audit compliance. Token lifecycle management involves provisioning, pin randomisation, replacement, recycle, revoke and token pin-unblocking.
	SecureTMS RA *	An extension of SecureTMS to include certificate lifecycle management which includes certificate issuance, renewal, revocation and support multiple CA and can be tailored to preferred approval workflow. In addition, it allows an enterprise customer to manage its own user verification process (Registration Authority), also known as managed PKI.
Certification authority back-end system	*SecureCA* *	A certification authority back-end system used by a CA for the process of generating and issuing digital certificates to users.
	EJBCA Enterprise #	Common Criteria EAL4+ certified certification authority back-end system.
Digital signing software	In-house software *	Project-based customised digital signing software designed and developed according to the project workflow and specifications, e.g. electronic scrolls for universities and electronic invoicing.
	SigningHub #	Off-the-shelf digital signing software.

Notes:

* *In-house brand/application software designed and developed by our Group*
\# *Sourced from third party*

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5. INFORMATION ON OUR GROUP *(CONT'D)*

(iv) CENTAGATE®

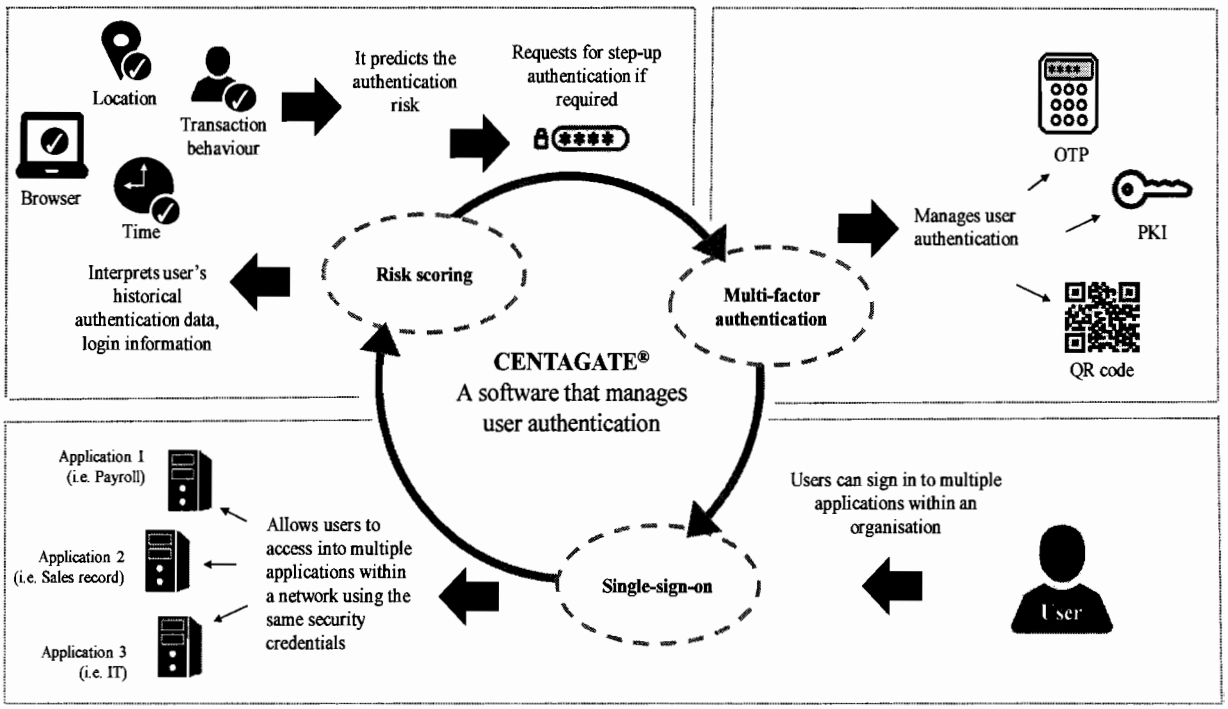
Description of CENTAGATE®

CENTAGATE®, also known as centralised authentication management system, is a form of authentication management system that consists of software that manages user authentication, where users can sign in to multiple applications within an organisation using a single sign-on method. This allows users to access into multiple applications within a network using the same security credentials.

CENTAGATE® supports multi-factor authentication (using SMS OTP, OTP tokens, mobile OTP, challenge response tokens, FIDO tokens, PKI tokens and mobile PKI), multi-channel authentication (via SMS or QR Code) and step-up authentication (in case extra authentication is needed for higher risk transactions).

CENTAGATE® also has a risk scoring feature, which interprets users' historical authentication data, login information (such as the OS, browser, time, location and transaction behaviour to predict the authentication risk), and reacts to the predicted risk by requesting for step-up authentication if required.

An illustration on how our CENTAGATE® works is shown as follows:



Our Group's principal activities and business model in CENTAGATE® solutions

We design, develop and implement CENTAGATE® solutions. The targeted customers for our CENTAGATE® solutions are enterprises and organisations, primarily financial institutions and Government organisations. We also sell directly to IT service providers. IT service providers are IT companies who purchase our CENTAGATE® solutions for integration with other third party systems. Our CENTAGATE® solutions comprise software to manage the multi-factor, multi-channel and step-up authentication methods, as well as token management systems. It supports all devices used in 2FA and PKI solutions, such as OTP tokens, PKI tokens and HSMs.

5. INFORMATION ON OUR GROUP *(CONT'D)*

We offer customised and off-the-shelf CENTAGATE® solutions as follows:

(a) Customised CENTAGATE® solutions

We implement CENTAGATE® solutions as customised solutions on projects which require extensive authentication customisations and in organisations with a large number of users with complex authentication functions. We customise solutions according to our customers' specifications and requirements, and use third party products such as HSM to deploy our customised CENTAGATE® solution.

(b) Off-the-Shelf CENTAGATE® solutions (known as CENTAGATE® BOX)

Our CENTAGATE® BOX is an off-the-shelf CENTAGATE® solution and is offered to customers who require a CENTAGATE® solution with a set of predetermined specifications and can be deployed faster than a customised CENTAGATE® solution.

For the FYEs and 4M-FPEs under review, there is no warranty claim for CENTAGATE®.

In year 2014, we initiated the R&D for CENTAGATE® and on 11 August 2015, our Group (via Securemetric Malaysia) obtained a TechnoFund grant of RM2.26 million from MOSTI for the development and certification of CENTAGATE®. TechnoFund is a grant scheme under MOSTI which aims to stimulate the growth and successful innovation of Malaysian enterprises by increasing the level of R&D and its commercialisation. The scheme provides funding for technology development, up to pre-commercialisation stage, with the commercial potential to create new businesses and to generate economic wealth for the nation.

The R&D project was targeted to be completed within 18 months ending 1 December 2016. However, the completion date was extended to 1 April 2017 (as approved by MOSTI on 20 January 2017) and subsequently further extended to 31 August 2017 (as approved by MOSTI on 6 April 2017). The R&D project was completed in August 2017 and the grant was fully released to Securemetric Malaysia in October 2017. MOSTI reimburses our Group after SIRIM has audited our R&D activities in accordance with the milestones and criteria as set out in the TechnoFund grant.

As at the LPD, our Group has received full reimbursement of RM2.26 million in accordance with the milestones set by MOSTI for our R&D activities related to CENTAGATE®.

The development expenditure incurred for the R&D project began to amortised and deferred capital grant received from MOSTI began to recognised over a period of 5 years starting from FYE 31 December 2017. The grant income received from MOSTI is recognised to match with the amortisation of development expenditure incurred for the R&D project. For illustration purpose and on a yearly basis, without the grant reimbursement from MOSTI, Securemetric Malaysia's PBT would have been reduced by RM0.48 million arising from the amortisation of development expenditure.

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5.8.1.2 Electronic identification products

We are also involved in the trading of electronic identification products. We purchase third party branded electronic identification products from product principals for onward sale to our customers.

The electronic identification products that we offer our customers are as shown below:

Product	Brand	Description
Smart cards and smart card readers	*ACS*	Contact as well as contactless smart cards and readers which are commonly used to implement electronic identity card systems, customer loyalty programs, physical access for buildings, parking, public transportation ticketing, and toll applications.
Fingerprint readers	*SecuGen*	Commonly used to integrate with applications that require biometric (i.e. fingerprint) verification such as transaction authorisation/ customer verification for banking transactions and time attendant systems.
Others	Assorted brands from various suppliers	• Barcode scanners (*Datalogic, Motorola, Opticon*) • Barcode printers (*TSC*) • Card printers (*Fargo, HiTi, NiSCA, Zebra*) • Proximity cards (OEM manufacturers) • UHF tags (OEM manufacturers) • Middle/long range integrated readers (OEM manufacturers)

For the FYEs and 4M-FPEs under review, the warranty claims for electronic identification products are as follows:

Warranty claims	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Electronic identification products	4	4	3	1	1

5.8.1.3 Other related services

We provide maintenance services for our customers arising from service level agreements following the completion of projects, if agreed upon with our customers. Our service level agreements are usually for a duration of 1 year (with an annual renewal option) but some have longer duration at the request of our customers. Our service level agreements comprise the provision of periodic updates, fault rectification and improvements to application software performance. Our service level agreements cover warranties for devices (e.g. HSMs and PKI appliances) as we have back-to-back warranty agreements with our third party suppliers. As at the LPD, we were providing 31 separate support and maintenance services (with a total value of RM11.62 million and remaining tenures of 1 - 84 months), for 29 of our customers (2 of which have multiple service arrangements for separate projects, namely a financial institution in Malaysia and an IT service provider in Vietnam).

Additionally, we also provide labelling and packaging services for OTP tokens and PKI tokens to our customers.

5. INFORMATION ON OUR GROUP *(CONT'D)*

Our maintenance services are usually based on our terms and conditions set out below, subject to the agreement by the customers. The said terms and conditions may be varied subject to the request by and negotiations with the customers.

(i) The Group will carry out the support and maintenance work which is set out in one of the Appendices of the agreement (scope differs from case to case). Any additional support required beyond the scope as set out in the Appendix will be subject to additional charges.

(ii) The support and maintenance is usually for a period of 1 year, with an option to renew on an annual basis.

(iii) The fees for the support and maintenance are charged upfront and shall be settled within 30 days from the date of invoice issued by the Group. The Group is entitled to suspend its obligations under the agreement in the event the fees are not paid on time.

(iv) Either party to the agreement may by notice in writing terminate the agreement if:

(a) the other party breaches any material terms of the agreement and fails to remedy the said breach within 30 business days after receiving a written notification specifying the breach;

(b) if winding-up procedures have been instituted against the other party or if the other party calls for a meeting of its creditors or shall be deemed by relevant statutory provisions to be unable to pay its debts.

(v) During the term of the agreement and for a period of 1 year after the expiry or termination of the agreement, the parties shall keep confidential and procure their respective agents and/or servants and/or independent contractors to keep confidential any information disclosed by one party to the other and the parties shall not use or disclose such information unless with the consent of the other party or ordered to do so by the courts of competent jurisdiction.

(vi) The Group's liability to its customer for any loss or damage caused by any negligent action on the part of the Group in connection with the agreement shall be limited to the total payment received by the Group from the customer.

(vii) Both parties expressly exclude liability for consequential loss, damage, or for loss of profit, business, revenue, goodwill or anticipated savings but do not exclude liability for death or personal injury to the extent only that the same arises as a result of the direct negligence of either party or their employees.

Our Group provides 1-year warranty for our own proprietary digital security solutions and 1-year warranty for third party devices (e.g. PKI appliances and HSMs). We have a back-to-back agreement with our third party manufacturer for the warranty of the hardware (i.e. casing with printed circuit board and basic OS) and third party supplier for devices (e.g. PKI appliances and HSMs).

For warranty claims submitted by our customers, we will determine whether the product is still covered by the warranty terms. We will notify the customer if the affected product is not entitled for warranty claim. If the product is entitled for the warranty claim, we will request the customer to return the affected product to us for further testing and inspection. If we are unable to repair the affected product, we will replace the affected product with a new product from our third party manufacturer/supplier, pursuant to the back-to-back agreement with our third party manufacturer/supplier.

5.8.2 Location of operations and equipment

5.8.2.1 Location of operations

The location of our Group's operations are as follows:

Subsidiary	Main Function	Location
Securemetric Malaysia	Head office - Malaysia	L5-E-6, Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong-Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur, Malaysia.
	Technology and R&D office - Malaysia	L5-E-7B, Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong-Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur, Malaysia.
Securemetric Indonesia	Corporate office - Indonesia	Ketapang Business Center, 1st and 2nd Floor, Block C No. 11, Jl. KH. Zainul Arifin No. 20, Kel. Krukut, Kec. Tamansari, Jakarta Barat 11140, Indonesia.
Softkey Indonesia	Corporate office - Indonesia	Ketapang Business Center. 3rd and 4th Floor, Block C No. 11, Jl. KH. Zainul Arifin No. 20, Kel. Krukut, Kec. Tamansari, Jakarta Barat 11140, Indonesia.
Securemetric Vietnam	Corporate office - Vietnam	Room 203B, TDL Office Building, No. 22, Lang Ha Street, Lang Ha Ward, Dong Da District, Hanoi, Vietnam.
Securemetric Vietnam	Corporate office - Vietnam	L14-08B, 14th floor, Vincom Tower, No.72 Le Thanh Ton Street, Ben Thanh Ward, District 1, Ho Chi Minh City, Vietnam.
Securemetric Philippines	Corporate office - the Philippines	Unit 7D, 7th Floor, Athenaeum Building, 160 L.P Leviste St, Salcedo Village, Makati City 1227, the Philippines.
Securemetric Singapore	Virtual office - Singapore	105 Cecil Street, #06-01 The Octagon, 069534 Singapore.

Section 5.8.16 of this Prospectus sets out further information of our Group's land and buildings.

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5.8.2.2 Equipment

A summary of the material equipment we own and use, is set out below:

Key equipment	Description / Use of equipment	Location	Quantity (units)	Carrying value as at	
				31 December 2017 (RM'000)	30 April 2018 (RM'000)
Servers[1]	To store, retrieve and send computer files and data to other computers on the servers' network	Head office - Malaysia	5	141	119
CENTAGATE® BOX[1][2]	For testing (proof of concept) and demonstration to customers	Head office - Malaysia and Vietnam	2	143	121

Notes:

(1) Key equipment are depreciated on a straight-line basis at the rate of 33% per annum.

(2) The CENTAGATE® BOX, which is used for testing (proof of concept) and demonstration to customers are depreciated in accordance with MFRS 116 Property, Plant and Equipment.

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5. INFORMATION ON OUR GROUP *(CONT'D)*

5.8.3 Principal business segments and markets

The breakdown of our revenue by our principal product segments in the FYE 31 December 2015 to FYE 31 December 2017 and 4M-FPE 30 April 2018 is as follows:

	FYE 31 December						4M-FPE 30 April	
	2015		2016		2017		2018	
Revenue by business activities	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
(a) Digital security solutions								
- Software licensing protection dongles	3,864	*22.8*	4,365	*17.6*	3,452	*7.7*	1,064	*15.3*
- 2FA	948	*5.6*	1,452	*5.9*	1,013	*2.3*	231	*3.3*
- PKI	6,824	*40.2*	10,183	*41.1*	31,321	*70.0*	1,241	*17.8*
- CENTAGATE®	832	*4.9*	2,838	*11.5*	1,257	*2.8*	1,292	*18.5*
(b) Electronic identification products	*3,573*	*21.0*	*4,335*	*17.5*	5,880	*13.1*	1,821	*26.1*
(c) Others	937	*5.5*	1,580	*6.4*	1,844	*4.1*	1,321	*19.0*
Total revenue	**16,978**	***100.0***	**24,753**	***100.0***	**44,767**	***100.0***	**6,970**	***100.0***

The breakdown of our revenue by geography in FYE 31 December 2015 to FYE 31 December 2017 and 4M-FPE 30 April 2018 is as follows:

	FYE 31 December						4M-FPE 30 April	
	2015		2016		2017		2018	
Revenue by countries	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	**4,343**	***25.6***	**4,107**	***16.6***	**5,443**	***12.2***	**1,017**	***14.6***
Overseas markets								
- Vietnam	2,825	*16.6*	6,705	*27.1*	22,086	*49.3*	861	*12.4*
- The Philippines	1,097	*6.5*	2,956	*11.9*	1,488	*3.3*	743	*10.7*
- Indonesia	2,688	*15.8*	2,023	*8.2*	4,630	*10.3*	1,292	*18.5*
- Singapore	188	*1.1*	405	*1.6*	5,048	*11.3*	420	*6.0*
- USA	1,066	*6.3*	2,702	*10.9*	2,933	*6.6*	1,062	*15.2*
- Canada[(1)]	-	-	-	-	-	-	980	*14.1*
- Others[(2)]	4,771	*28.1*	5,855	*23.7*	3,139	*7.0*	595	*8.5*
Subtotal	**12,635**	***74.4***	**20,646**	***83.4***	**39,324**	***87.8***	**5,953**	***85.4***
Total	**16,978**	***100.0***	**24,753**	***100.0***	**44,767**	***100.0***	**6,970**	***100.0***

Notes:

(1) Revenue attributable to CENTAGATE® for 4M-FPE 30 April 2018 was in relation to a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions), to a new customer (an IT service provider in Canada).

(2) Comprising Myanmar, Thailand, China (including Hong Kong and Macau), Egypt, Sweden, Switzerland, Germany, India, Italy, Netherlands, Spain, Turkey and United Kingdom with no single individual country contributing more than 10% of total revenue from FYE 31 December 2015 to FYE 31 December 2017 and 4M-FPE 30 April 2018 consecutively.

5. INFORMATION ON OUR GROUP (*CONT'D*)

5.8.4 Types, sources and availability of supplies

Our main supplies are hardware which is the casings (with printed circuit boards and basic OS), third party devices (i.e. software licensing protection dongles, HSMs, PKI appliances and electronic identification products) and third party PKI application software (i.e. *EJBCA Enterprise and* digital signing software (i.e. *SigningHub*).

For our proprietary software licensing protection dongles, OTP tokens and PKI tokens, the casings are manufactured by Feitian Technologies Co., Ltd. Third party software licensing protection dongles are also sourced from Feitian Technologies Co., Ltd.

Further, we source for other third party devices (i.e. HSMs, PKI appliances and electronic identification products) and third party PKI application software (i.e. *EJBCA Enterprise* and digital signing software *SigningHub*), from third party suppliers.

The following is the breakdown of supplies between categories of our digital security solutions and electronic identification products:

Products	Supplies (Hardware / Devices / Application software)	FYE 31 December						4M-FPE 30 April			
		2015		2016		2017		2017		2018	
		RM'000	%*	RM'000	%*	RM'000	%*	RM'000	%*	RM'000	%*
(a) Digital security solutions											
- Software licensing protection dongles	Casing with printed circuit board and basic OS	842	*10.9*	1,015	*8.5*	1,002	*4.3*	365	*10.2*	286	*9.5*
	Third party software licensing protection dongles (i.e. ROCKEY2; ROCKEY4ND; NetROCKEY4ND and ROCKEY6 SMART)	279	*3.6*	454	*3.8*	203	*0.9*	66	*1.8*	79	*2.6*
- 2FA	Casing with printed circuit board and basic OS	638	*8.3*	1,046	*8.7*	597	*2.5*	146	*4.1*	40	*1.3*
- PKI	Casing with printed circuit board and basic OS	1,377	*17.8*	2,248	*18.8*	2,280	*9.7*	1,105	*30.8*	156	*5.2*
	HSMs	307	*4.0*	555	*4.6*	1,053	*4.5*	-	-	110	*3.7*
	PKI appliances and *EJBCA Enterprise*	155	*2.0*	322	*2.7*	1,414	*6.0*	-	-	86	*2.9*
	SigningHub	124	*1.6*	632	*5.3*	*78*	*0.3*	-	-	-	-
(b) Electronic identification products	Smart cards and smart card readers	977	*12.7*	2,502	*20.9*	2,992	*12.7*	1,044	*29.1*	954	*31.8*
	Fingerprint readers	381	*4.9*	139	*1.2*	653	*2.8*	85	*2.4*	54	*1.8*
Total		**5,080**	***65.8***	**8,913**	***74.5***	**10,272**	***43.7***	**2,811**	***78.4***	**1,765**	***58.8***

Note:

* *As a percentage of total Group's cost of sales for FYEs 31 December 2015 to 2017 and 4M-FPE 30 April 2018.*

As at the LPD, our Group has not experienced any difficulties in sourcing for supplies from third party suppliers as they are readily available. The prices of our supplies from third party suppliers are not subject to price fluctuations. We do not have any contractual obligations with our key suppliers.

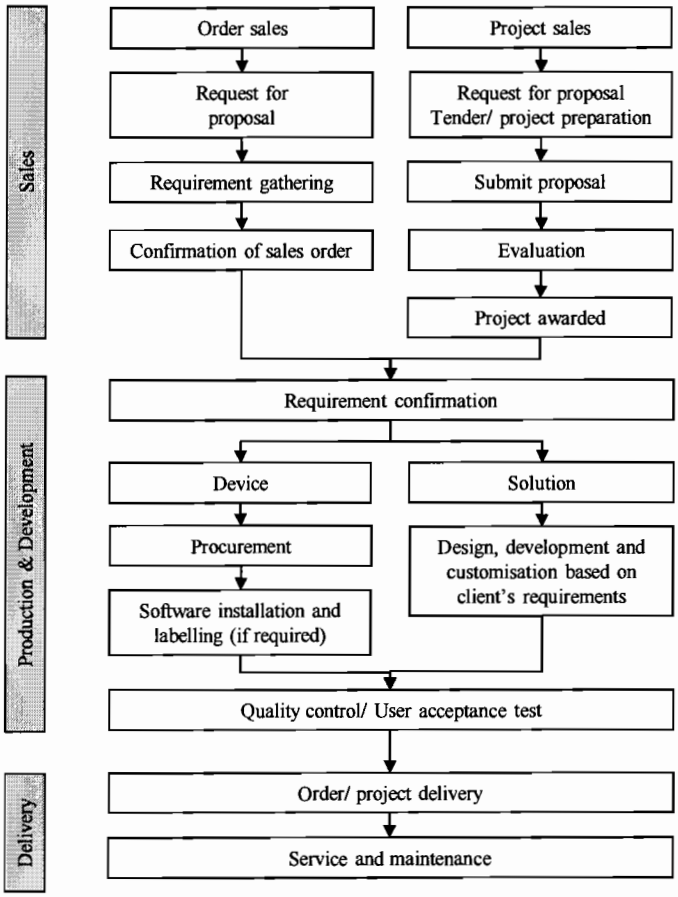
5.8.5 Operating Capacities and Output

Measures of operating capacities and output are not applicable to the provision of digital security solutions, trading of electronic identification products and the provision of other related services by our Group.

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5.8.6 Process flow

The following flow chart illustrates our typical business process:



Sales

Our sales, comprising order sales and project sales, are handled by our business development division. Our business development division comprises product sales department and project sales department.

Order sales comprise the sales of devices, namely software licensing protection dongles, OTP tokens, PKI tokens and electronic identification products. Deployment and installation services are not included in order sales.

Project sales comprise the sale of our customised 2FA, PKI and CENTAGATE® solutions, and our off-the-shelf solutions, namely PKI IN A BOX and CENTAGATE® BOX. Project sales include the sale of devices and application software as a solution, as well as services related to deployment and installation of the solutions.

For project sales, upon receiving either an invitation to tender or request for quotation, our project sales department will form a project team which includes a person in-charge from our project sales department, project management and support department. Depending on the requirements of the project, the project team may include our engineering department. The project team will gather requirements for the project before proceeding to proposal preparation. The proposal will then be submitted to our customer for evaluation. During the evaluation process, our customer may require us to meet and clarify issues such as pricing and technical details, and to respond to any other related queries. Once selected as the supplier, we will sign a letter of award or receive a purchase order as formal acceptance of our proposal.

For order sales, upon receiving a request for proposal, our product sales department will gather requirements of the order and confirm the details of the orders with our customers. Order sales are typically repeat orders or orders for our off-the-shelf products.

Production and Development

Upon the confirmation of a project award or sales order, our business development division will confirm the requirements of the project or sales, and liaise with the respective departments internally to ensure the delivery of our solutions.

For project sales, a project manager will be assigned to oversee the entire project development and delivery process. Our project manager will lead the project team and formulate a development plan based on the requirements set out in letter of award/ purchase order.

For devices (i.e. software licensing protection dongles, OTP tokens, PKI tokens, PKI appliances, HSMs and electronic identification products), our operations and administrative department will check for the availability of stock to fulfil the order sales or project sales. If the stock is sufficient, our operations and administrative department will install the required software (including firmware, middleware and/or software development kit) and perform customised labelling, if required, for our proprietary software licensing protection dongles, OTP tokens and PKI tokens.

If there is insufficient stock, our operations and administrative department will arrange for production of the casings with printed circuit board and basic OS for our proprietary software licensing protection dongles, OTP tokens and PKI tokens with our third party manufacturer or for procurement of software licensing protection dongles, PKI appliances, HSMs or electronic identification products with our third party supplier. On average, our third party manufacturer takes between 2 to 6 weeks to manufacture and assemble the casings with printed circuit board and basic OS for our proprietary software licensing protection dongle, OTP token and PKI token. On average, our third party supplier also take between 2 to 6 weeks to supply third party's software licensing protection dongle, PKI appliances, HSMs and electronic identification products.

For solutions, our engineering department will be involved. All design and development work, and/or any customisation will be done based on the customer's requirement.

Prior to delivery, we will conduct a quality control inspection to ensure that the devices and solutions are in accordance with our customers' purchase order. For devices, we will check if the labelling and/or firmware, middleware and/or software development kit in the software CD-ROM are done correctly before packing. For solutions, we will conduct an internal quality assurance test, followed by user acceptance test ("**UAT**") at client's premises to confirm that the system is implemented as per project specifications.

Delivery

For order sales, the goods will be delivered to our customers according to schedule.

For project sales, the project team together with our customers' representatives will carry out an inspection of the system implemented. Once the UAT on the system is conducted and passed, the customer will accept and sign off.

5.8.7 Quality assurance, standards and certifications

We carry out the following quality assurance:

(i) Quality assurance

Physical quality control inspection

Our operations and administrative team is responsible for conducting stock check on incoming goods and outgoing goods. The inspections will be conducted on a sample basis to ensure that it is in accordance to our purchase order for incoming goods; while outgoing goods are inspected to ensure that it is in accordance to our customer's specifications.

Software quality assurance

We have a quality assurance team consisting of four quality assurance engineers who are responsible for conducting quality assurance process to ensure all our software are tested before officially released to our clients.

UAT

Our project team is responsible for carrying out a UAT at the client's premises prior to the implementation of our system software. A UAT is conducted to confirm that the software has been customised and implemented in accordance with our customer's requirements.

(ii) Standards and certifications

We comply with the following local and international quality standards and were awarded the following certificates of compliance. These standards and certifications were awarded based on the scope of certification and do not have validity periods.

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5. INFORMATION ON OUR GROUP (*CONT'D*)

Standard/ certification	Certification body	Year awarded	Scope of certification	Description of standard
FCC marking	SGS-CSTC Standards Technical Services Co., Ltd	2008	The sale of our *SecureDongle* in the US territory, subject to compliance with the relevant requirements of the Federal Communications Commission	FCC marking is a certification mark employed on electronic products manufactured or sold in the US which certifies that the electromagnetic interference from the device is under the limits approved by the FCC.
FCC marking	SGS-CSTC Standards Technical Services Co., Ltd	2008	The sale of our *SecureToken* in the US territory, subject to compliance with the relevant requirements of the Federal Communications Commission	FCC marking is a certification mark employed on electronic products manufactured or sold in the US which certifies that the electromagnetic interference from the device is under the limits approved by the FCC.
CE marking	SGS-CSTC Standards Technical Services Co., Ltd	2008	The sale of our *SecureDongle* in the EU territory, subject to compliance with the relevant requirements of the European Council Directive	CE marking is a registration for products which certifies the products to be in compliance with the safety, health and environmental requirements in accordance with the Directives 2006/95/EC, 1999/5/EC and 2014/53/EU.
CE marking	SGS-CSTC Standards Technical Services Co., Ltd	2008	The sale of our *SecureToken* in the EU territory, subject to compliance with the relevant requirements of the European Council Directive	CE marking is a registration for products which certifies the products to be in compliance with the safety, health and environmental requirements in accordance with the Directives 2006/95/EC, 1999/5/EC and 2014/53/EU.
Common Criteria Certificate (EAL1)	CyberSecurity Malaysia (under MyCC scheme)	2011	Common Criteria for information technology security, for *SecureToken ST3* v1.0	Common Criteria is a set of international guidelines and specifications developed for evaluating information security products, specifically to ensure the products meet an agreed-upon security standard for government deployments. EAL1 provides a basic level of assurance in term of functionality, and is supported by a search for possible vulnerabilities in the public domain and independent testing of the product's security functionality. It is recognised by CCRA.
MSC Malaysia Software Product Assessment & Rating Standard (Ver. 4.0)	Malaysia Digital Economy Corporation	2012	*SecureTMS RA*, Version 1.2 have been assessed against the requirement of MSC Malaysia Software Product Assessment & Rating Standard (Ver. 4.0)	A product quality benchmark for MSC-status companies to assess their software products. A unique standard covering both product and process elements of each software product, and able to assess quality of software products and provides consumer confidence.

5. INFORMATION ON OUR GROUP (*CONT'D*)

Standard/ certification	Certification body	Year awarded	Scope of certification	Description of standard
Common Criteria Certificate (EAL2)	MyCC Scheme	2013	Common Criteria for information technology security evaluation, for *SecureToken ST3 ACE* (ST3 Ace Token Manager v1.0.13.927 and ST3 Ace Middleware v1.0.13.910)	Common Criteria is a set of international guidelines and specifications developed for evaluating information security products, specifically to ensure products meet an agreed-upon security standard for government deployments. EAL2 provides higher level of assurance in terms of functionally and structurally, it is supported by vulnerability analysis more than just in public domain, but based upon the functional specification, product design and security architecture description. It is recognised by CCRA.
FIPS 140-2 Validation Certification (Level 3)	FIPS	2014	*SecureToken ST3 ACE*	FIFS 140-2 specifies security requirements to be satisfied by a cryptographic module utilised within a security system protecting sensitive or protection information within computer and telecommunications systems (including voice systems). FIPS 140-2 provides four increasing, qualitative levels of security: Level 1, Level 2, Level 3 and Level 4. Level 3: Further enhance level 2 by require high possibility of detects and response to the unauthorised access to the critical security parameters. Require zeroization the plaintext critical security parameters when intrusion detected.
Common Criteria Certificate (EAL4+)	CyberSecurity Malaysia (under MyCC scheme)	2017	Common Criteria for information technology security evaluation, for CENTAGATE® v3.0.10-build13	Common Criteria is a set of international guidelines and specifications developed for evaluating information security products, specifically to ensure products meet an agreed-upon security standard for government deployments. It is the augmented version of EAL 4. EAL4+ provides assurance on the security product where it is methodically designed, tested, and reviewed. It is supported by vulnerability analysis similar to EAL2 but with the addition of implementation representation analysis. It is recognised by CCRA.

5.8.8 Research and Development

Our R&D has been the cornerstone of our success to-date. We recognise the importance of R&D in ensuring we remain competitive to sustain the continuous growth of our business. Our R&D initiatives focus on the following:

- Continuously upgrading our products and solutions to ensure they are relevant to the current technology and security requirements,
- Continuously improving the quality our products and solutions provided, and
- Widening our range of products and solutions to our customers.

Resulting from our R&D efforts, we have successfully designed and developed several products and solutions as follows:

Category	Digital security products	Device / application software/ solution	Description of technology used/implemented*	Year commenced research	Completion year
Past R&D Achievements					
Devices development	Software licensing protection dongles	*SecureDongle X*	USB HID, JNI, Microsoft Visual Studio C++, GCC, XCode	2008	2008
		SecureDongle		2008	2008
	PKI	*SecureToken ST2*		2008	2008
	PKI	*SecureToken ST3*		2009	2009
	PKI	*SecureToken ST3 Ace*		2012	2013
	2FA	*IDENOS*	FIDO U2F, USB HID, JSON	2015	2015
	2FA	*SecureOTP Event*	OATH : HOTP, TOTP and OCRA	2009	2009
	2FA	*SecureOTP Time*		2009	2009
	2FA	*SecureOTP CR*		2009	2009
Application software development	PKI	*SecureTMS*	Java Enterprise Edition (JEE) Technology, Hibernate framework, AMQP, Multi-factor Authentication	2009	2009
	2FA	*SecureOTP AS*		2009	2009
	PKI	*SecureCA*		2010	2010
	PKI	*SecureTMS RA*		2011	2012
	CENTAGATE®	CENTAGATE®		2014	2016
Solution development	PKI	PKI IN A BOX	Kernel Virtual Machine (KVM), Open vSwitch, PKCS#11 Token Component API, Galera Cluster	2012	2013
	CENTAGATE®	CENTAGATE® BOX		2016	2017
Mobile application software development	2FA	*SecureOTP* mobile application	OATH: TOTP, OCRA, XCode, Android Studio, JNI	2009	2009
	CENTAGATE®	CENTAGATE® mobile application		2015	2016

Note:

* ***Section 5.8.9*** *of this Prospectus further describes each technology used/implemented.*

Our on-going and upcoming R&D projects are as follows:

Category	Digital security products	Solution	Description	Targeted period for commencement of research	Targeted period for launch of solutions
Application software development	CENTAGATE®	CENTAGATE® on Cloud	Java Enterprise Edition (JEE) Technology, PKCS#11 Token Component API, Hybrid Risk-Based Scoring Engine	4th quarter of 2018	1st quarter of 2019
	PKI	Digital Signing-as-a-Service		4th quarter of 2018	1st quarter of 2020
Solution development	PKI	PKI IN A BOX for IOT	Kernel Virtual Machine (KVM), Open vSwitch, PKCS#11 Token Component API, Galera Cluster	1st quarter of 2019	2nd quarter of 2019
	CENTAGATE®	CENTAGATE® BOX for FinTech		4th quarter of 2019	1st quarter of 2021

As at the LPD, our Group does not have specific patents for our products. However, we have made applications to patent our inventions (e.g. processes and methodologies) used for the development of our products as shown in **Section 5.8.15.**

The amounts spent on our Engineering Department are as below:

	FYE 31 December						4M-FPE 30 April	
	2015		2016		2017		2018	
Engineering Department	RM'000	% *revenue*	RM'000	% *revenue*	RM'000	% *revenue*	RM'000	% *revenue*
Payroll	1,013	*6.0*	1,425	*5.8*	1,873	*4.2*	*888*	*12.7*
Depreciation for server used for R&D	32	*0.2*	42	*0.2*	48	*0.1*	21	*0.3*

Save for the above, there is no other cost incurred by our Engineering Department to undertake our Group's R&D.

As at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018, our Engineering Department has 15, 21, 27 and 29 engineers, respectively.

5.8.9 Technology used

Our Group has the necessary expertise and software tools/platforms to perform and apply the following technologies in our digital security solutions:

Technology	Description
Advanced Message Queuing Protocol ("**AMQP**")	AMQP is an open standard protocol for message-oriented middleware. It defines message queuing and reliable and secure routing.
Android Studio	Android Studio is an official IDE for Google Android OS. It is built based on JetBrains IntelliJ IDEA software designed specifically for Android development.

5. INFORMATION ON OUR GROUP *(CONT'D)*

Technology	Description
FIDO U2F	U2F is an open authentication standard that enable internet user to securely access any number of online service, with just a single device, instantly and without drivers or any client software needed. IDENOS is an FIDO U2F authentication device that used cryptography to provide stronger authentication. It comes with embedded security algorithm ECDSA and SHA256. All credentials are physically protected by hard security chip.
GNU Compiler Collection ("**GCC**")	GCC is compiler system produced by GNU projects that supports C, C++, Objective-C, Fortran, Ada, and Go. GCC was originally written as the compiler for GNU OS.
Hibernate Framework	Hibernate framework is an object-relational mapping tool for Java programming. It provides a framework for mapping object-oriented models to a relational database. Hibernate framework solves object-relational impedance mismatch problems by replacing direct, persistent database access with high-level object handling functions.
Hybrid Risk-Based Scoring Engine	This is a risk-based scoring engine that is based on user login context (geolocation, browser, OS, Internet Protocol, time) and calculates the user login risk based on the scoring. The score will be calculated based on user behaviour and defined rules. A user with high risk scoring will be required to perform a step-up authentication or the login session will be terminated.
OATH	The Initiative for Open Authentication is an initiative to develop standard, open technology that is available to all and to promote the adoption of strong authentication by all users on all devices across all networks. OATH comprises the following: OATH Hash Message Authentication Code-based one-time password ("**HOTP**") HOTP is an algorithm that is based on an increasing counter and event text value based on a shared secret symmetric key known only to the token and the validation service. OATH Time-based-One-Time Password ("**TOTP**") OATH TOTP is an algorithm that computes a one-time password from the current time based on a shared secret symmetric key known only to the token and the validation service. OATH Challenge-Response Algorithm ("**OCRA**") OATH OCRA is an evolution algorithm from HOTP. OCRA will first require the server to generate a challenge. The user will use the challenge to generate an OTP. The server will validate the OTP based on the challenge stored on the server.
Java Enterprise Edition Technology	Java Platform, Enterprise Edition or Java EE is a platform for development and deployment of enterprise software. It uses object oriented programming to achieve multi-tier architecture and web services development.

5. INFORMATION ON OUR GROUP *(CONT'D)*

Technology	Description
Java Native Interface ("**JNI**")	JNI is a programming framework that enables Java code running in a Java Virtual Machine ("**JVM**") to call and be called by native applications and libraries written in other languages such as C, C++ and assembly.
JavaScript Object Notation ("**JSON**")	JSON is a lightweight data interchange format that is easy to read, write and parse or generate by machines. JSON is build based on a subset of JavaScript Programming Language.
Microsoft Visual Studio C++	Microsoft Visual Studio C++ is an IDE from Microsoft used to develop desktop-based applications using C/C++ programming language.
Multi-factor Authentication	A method of computer access control that supports several types of evidence. A user is authenticated only after successfully showing the required evidence. The types of evidence include what you know (password), what you have (token, mobile apps), who you are (biometric) and where you are (geofencing).
PKCS#11 Token Component API	PKCS#11 is the programming interface to handle cryptographic tokens. It defines functions such as create/generate, modify, delete of cryptographic object such as RSA keys, X.509 certificate, AES keys and so on.
USB Human Interface Device ("**HID**")	USB HID is part of USB specification used for computer peripherals such as keyboard, mice, game controller, and etc. This specification allowed humans control over a PC.
XCode	This software is an IDE that runs on the MacOS. Xcode supports a variety of programming languages such as C, C++, Objective-C and Swift. XCode can be used to build universal binary files, which allows software to be run on both PowerPC and Intel-based architecture (x86 & x64).
Galera Cluster	Galera Cluster is a multi-master database cluster solution based on synchronous replication. It supports XtraDB/InnoDB storage engine and it works well with MariaDB and MySQL database to provide read and write to any cluster node, replication up on row level.
Kernel Virtual Machine (KVM)	Kernel Virtual Machine or Kernel-based Virtual Machine (KVM) is a virtualization solution for Linux kernel that run on x86 processor (Intel or AMD) that support hardware virtualization extension, turning the Linux kernel into hypervisor. With KVM, multiple virtual machines can be created that runs on various famous OS such as Linux and Windows. Each of the virtual machine has its own private virtualized hardware such as network card, memory, CPU and hard disk.
Open vSwitch	Open vSwitch (OVS) is an open source implementation of distributed virtual multilayer switch. It is used for providing switching stack for virtualization environment. OVS supports multiple protocols and standard uses in computer network.

5.8.10 Marketing, distribution and sales strategies

Our Group's overall sales and marketing activities are led by our Non-Independent Executive Director and Chief Executive Officer, Law Seeh Key, and assisted by Mohd Affendi Bin Abdul Razak (Vice President of Project Sales) and Yen Chee Khan (Vice President of Product Sales). We actively engage in the following sales and marketing strategies:

(i) Direct approach

As the sales and marketing of our products and solutions require in-depth knowledge of our offerings, the direct approach allows us to deliver the required technical information and detailed explanations and descriptions accurately to our existing and potential customers.

Our sales are generated directly by our business development division through direct contact with customers and potential customers, as well as through referrals from our past and existing clients.

(ii) Marketing events

To further enhance our profile and visibility in the industry, we participate in trade exhibitions, public forums, conferences and workshops organised by various industry-related organisations and/or companies. Further, we also organise and co-organise digital security related events.

These sessions normally attract a wide range of audience from the digital security industry to discuss and exchange ideas and knowledge, and to understand the latest product and technology developments relating to digital security. Through this platform, we can engage in targeted marketing programmes to highlight and reinforce the awareness of our Group and our capabilities.

The following are examples of events we organised since FYE 2015 up to the LPD:

Year	Name of Event / Location
March 2015	ASEAN Financial Institution Conference ("ASEANFIC") 10th Edition Phnom Penh 2015
June 2015	PKI Conference 2015 – Kuala Lumpur
June 2015	ASEANFIC 11th Edition Manila 2015
August 2016	Authentication Security Roundtable Discussion - Hanoi
July 2017	CENTAGATE® BOX Launch - Manila

We also co-organised events with other third party organisers in the FYE 2015 and 4M-FPE 30 April 2018, respectively:

Year	Name of Event / Location	Third party co-organiser
November 2015	SecureDongle Workshop - Ho Chi Minh City	Vietnam Software & IT Services Association
March 2018	ASEAN Mobile Application Security Roadshow 2018 - Malaysia, Myanmar, Indonesia, the Philippines and Vietnam	Promon AS (a digital security provider based in Norway)

5. INFORMATION ON OUR GROUP *(CONT'D)*

We also participated in the following events organised by third parties since FYE 2015 up to the LPD:

Year	Name of Event	Organiser	Location
January 2015	Mobile Money Payment & Digital Payment Asia 2015	Clarions UK	Jakarta
April 2015	Interpol World 2015	Interpol	Singapore
June 2015	Vietnam ICT Summit	The National Steering Committee on ICT/VINASA	Hanoi
July 2015	RSA Conference 2015	Pico Art International PTE United	Singapore
September 2015	Cards and Payment Philippines 2015	Terrapinn Holdings Pte Ltd	Manila
September 2015	Cyber Security Malaysia Awards, Conference & Exhibition 2015	CyberSecurity Malaysia	Kuala Lumpur
November 2015	Softcon PH 2015	Philippine Software Industry Association	Manila
March 2016	Cybercrime Summit	Anti-CyberCrime Group, Philippines National Police	Manila
March 2016	Chamber of Thrift Bank Annual Convention 2016	Chamber of Thrift Banks	Manila
May 2016	BankTech Manila 2016	Knowledge Group of Companies	Manila
June 2016	Asean Young Entrepreneurs Carnival	Malaysian Association of ASEAN Young Entrepreneurs	Kuala Lumpur
July 2016	RSA Conference 2016	SingEx Exhibitions Pte Ltd	Singapore
September 2016	PKI Tech Days 2016	PrimeKey Solutions AB	Stockholm
September 2016	Information Security Officers Group ("ISOG") Summit 2016	Information Security Officers	Manila
October 2016	Technology and Equipment ("TechMart") Fair, Hanoi 2016	Ministry of Science and Technology, Vietnam	Hanoi
October 2016	CSM-ACE 2016 (CyberSecurity Malaysia Awards, Conference & Exhibition 2016)	CyberSecurity Malaysia	Kuala Lumpur
November 2016	BankTech Asia Kuala Lumpur 2016	Knowledge Group of Companies	Kuala Lumpur
November 2016	IT Interaction Philippines ("ITIP") National Conference 2016	IT Interaction Philippines	Manila
June 2017	The Asian Banker – Future of Finance Summit 2017	The Asian Banker	Singapore
July 2017	Authentication Workshop for Banks	The State Bank of Vietnam	Ho Chi Minh
July 2017	ISOG Summit 2017	Emazing Ways Marketing Inc.	Manila
August 2017	CyberSecurity: Safeguarding the Future for Innovative Financial Inclusion	Bank Negara Malaysia	Kuala Lumpur
September 2017	GovWare 2017	Image Engine Pte Ltd	Singapore

Year	Name of Event	Organiser	Location
September 2017	Future of Payments, E-commerce and Retail	Terrapinn Holdings Pte Ltd	Manila
October 2017	CyberSecurity Malaysia Awards, Conference and Exhibition	CyberSecurity Malaysia	Kuala Lumpur
March 2018	Malaysia Fintech Expo 2018	Persatuan Usahawan Dinamik	Kuala Lumpur
July 2018	RSA Conference 2018	SingEx Exhibitions Pte Ltd	Singapore
September 2018	Cybersecurity Malaysia Awards, Conference and Exhibition	CyberSecurity Malaysia	Kuala Lumpur
September 2018	Future of Payments, E-commerce and Retail	Terrapinn Holdings Pte Ltd	Manila

(iii) Sales and marketing materials

We recognise the importance of sales and marketing materials as a tool to reach out to our existing clients and potential clients. We have invested in setting up our in-house advertising and promotion department to design and copywrite our marketing materials. As the sales and marketing of our products and solutions require in-depth knowledge of our offerings, the marketing materials produced by our in-house advertising and promotion department helps us to deliver the required technical information and detailed explanations and descriptions accurately.

We have printed product information sheets, product videos and annual magazines as our sales and marketing materials. These materials help our project sales department and product sales department to simplify sales efforts to make it more effective. Our sales and marketing materials also help us to promote our brand, highlight our capabilities and our track record.

Our printed product information sheets contain detailed descriptions, functions and features, applications and benefits of our offerings.

Our annual magazine demonstrates our knowledge and expertise in the industry, as well as our commitment to reach out to our existing and potential clients in raising awareness of digital security.

(iv) Corporate website

We have established our corporate website for Securemetric at http://www.securemetric.com, and for Softkey Indonesia at http://www.esoftkey.com, as well as a dedicated website for our CENTAGATE® at http://www.centagate.com, amongst others. These websites provide information on our Group and our offerings as well as digital security industry related news and updates. On our websites, we have an online store for overseas customers to purchase software licensing protection dongles.

The current widespread use of the Internet as a source of information and a platform for shoppers, enables us to cross geographical boundaries and facilitates access from any part of the world, enhancing our potential market reach and exposure.

5.8.11 Competitive strengths and advantages

We have resilient technologies and expertise to adapt our solutions to the changing requirements of the digital security industry

Under Softkey Malaysia, we commenced operations in 2001 as a distributor of third party digital security products. We have since evolved into the design, development as well as marketing and sale of our proprietary digital security solutions. We have continuously adapted our solutions to suit the evolving nature of the digital security industry.

One of our earliest offerings was the development and sale of digital security products, where we launched our first proprietary PKI token, *SecureToken ST2*, in 2008. Subsequently in 2009, we introduced *SecureToken ST3* with a higher processing capacity smart chip and ventured into providing PKI application software, such as *SecureTMS*, a PKI token management system to manage PKI token lifecycle.

In 2010, we introduced *SecureCA*, a back-end engine which is part of our PKI solutions. *SecureToken ST3* received MyCC EAL1 Certification in 2011. Within the same year, we also introduced a new version of PKI token management system, *SecureTMS RA* with enhanced user experience where most of the PKI processes can be automated and is transparent to the users.

In 2012, in partnership with PrimeKey Solutions AB, we successfully enhanced and integrated *EJBCA Enterprise* with HSM by Utimaco together with our *SecureTMS RA* to offer end-to-end PKI solutions for customers. We also introduced an enhanced PKI token, *SecureToken ST3 ACE* with EAL2 certification and FIPS validation certification (Level 3).

With our experience in providing PKI solutions, we successfully developed our first off-the-shelf PKI system, PKI IN A BOX, which combines our PKI system designed within a computer for quick deployment. Subsequently we developed CENTAGATE® which was also a consolidation of our years of experience and exposure in the areas of 2FA, PKI and cryptography, all into one centralised authentication management system. In 2017, we launched CENTAGATE® BOX as an off-the-shelf solution.

We also have the capabilities and expertise to implement customised solutions for our customers that meet their requirements. Over the years, we have provided solutions to Government institutions, financial institutions, public CA, software development companies and IT service providers.

We have demonstrated that our technologies are adaptable across multiple industry segments, which has proven resilient over time as we have been able to develop new or enhanced products with the changing landscape of the digital security industry.

Our engineering and R&D activities has provided the foundation and platform for our growth and expansion

Our Group's engineering and R&D activities have been critical to the development of our proprietary solutions. Since 2008, our engineering and R&D initiatives have successfully introduced numerous devices and application software under our brand, for example *SecureToken, SecureDongle, SecureOTP, and SecureTMS*. In addition, through our engineering and R&D efforts, we have succeeded in introducing an off-the-shelf PKI solution, namely our PKI IN A BOX, which allows us to roll out PKI implementation for our customers in a faster and more cost-effective manner. In 2016, we recorded another milestone when we secured a CENTAGATE® project and introduced another off-the-shelf product, namely CENTAGATE® BOX, in June 2017.

Our Group's emphasis on engineering and R&D has been the cornerstone of our growth and expansion to-date, and will continue to drive our future development initiatives. Our engineering and R&D activities are driven by our engineering department. As at the LPD, we have 36 personnel in our engineering department (comprising 34.6% of total Group workforce), who focus on developing new and improved solutions. Our R&D efforts will help us to continuously introduce new solutions to meet evolving market demands in Malaysia and SEA, and to continuously improve our technologies as we seek to expand our market presence.

We have proven capabilities in selling our products and solutions to customers overseas

We have delivered our products and solutions to numerous countries in the past 3 FYEs 31 December 2015 to 2017 and 4M-FPE 30 April 2018 including Myanmar, Thailand, China (including Hong Kong and Macau), Egypt, Sweden, Switzerland, Germany, India, Italy, Netherlands, Spain, Turkey and United Kingdom.

Our exports reflect our global footprint in the digital security industry. In the past 3 FYEs 31 December 2015 to 2017 and 4M-FPE 30 April 2018, our revenue from overseas markets accounted for 74.4%, 83.4%, 87.8% and 85.4% respectively of our total revenue. During the same period, major SEA countries, including Malaysia, Vietnam, the Philippines, Indonesia and Singapore accounted for 65.6%, 65.4%, 86.4% and 62.2% respectively of our total revenue. Our penetration into international markets is testament to our industry reputation and track record, and has been facilitated by our conformance with international standards such as CE marking, FCC markings, FIPS 140-2 Level 3 and MyCC (EAL1, EAL2 and EAL4+).

Further, our success in the international markets serve as a reference for our Group as we continue to bid for new projects and secure new customers. These international markets serve as a vast market for our Group to tap into for future growth opportunities.

We have a wide range of solutions that caters to customers with different levels of digital security requirements

We have a product line-up that consists of digital security solutions that cater to customers with different levels of digital security requirements.

Our software licensing protection dongle is an electronic device which contains content protection software that prevents unauthorised execution of the software. This is used by software development companies to protect their software.

Our 2FA solutions cater for customers who want simple two-factor authentication. For customers who have higher digital security requirements, our PKI solutions are designed to provide enhanced security protection.

In addition, our latest offering, CENTAGATE®, is a system designed to support multiple authentication mechanism such as QR Code, 2FA and PKI and incorporated with a risk scoring feature, which interprets users' previous login information (such as the OS, browser, time, location and transaction behaviour) to predict the authentication threat, and reacts to the predicted threat by invoking the required authentication factor(s).

Over the years, we have secured Government organisations, financial institutions, public CAs, software development companies and IT service providers as our customers internationally. These customers have different levels of digital security requirements and we are able to cater for their needs.

We have digital security solutions that are certified to international security standards

Since the commencement of our business, we have ensured that our solutions meet the relevant market requirements and for some of our key products, we have obtained internationally-certified security standards.

Our PKI token, namely *SecureToken ST3*, completed MyCC EAL1 certification in 2011. *SecureToken ST3 ACE*, another one of our PKI tokens, completed MyCC EAL2 certification in 2013 and FIPS 140-2 validation certification (Level 3) in 2014.

Further, our token management system, namely *SecureTMS RA*, was certified by MSC Malaysia Software Product Assessment & Rating Standard (Ver4.0) and independently reviewed by TUV Rheinland, a technical services provider based in Germany, in 2012. Additionally, our IDENOS OTP token was certified by FIDO U2F in 2015.

We achieved our highest security standards to-date when CENTAGATE® completed the MyCC EAL4+ certification in June 2017. As at the LPD, CENTAGATE® is one of only four products in Malaysia awarded with MyCC EAL4+ certification by CyberSecurity Malaysia, and we are only the second Malaysian company which has a product with MyCC EAL 4+ certification.

We offer efficient and reliable customer and technical support to our customers via our regional support network

We are committed to providing efficient and reliable customer and technical support to our customers in order to maintain strong relationships with our customers.

We have a dedicated customer support team located at our head office in Malaysia to provide customer and technical support to all of our existing customers, as well as to support the implementation of new projects in Malaysia and overseas. We also have project management and local support teams in our offices in the Philippines, Vietnam and Indonesia. These overseas teams may also assist in addressing basic support enquiries from customers while our dedicated technical support team in Malaysia will act as the main contact point to address all enquiries that could not be solved by the overseas teams.

Having customer service and project management teams across the SEA region ensures that we are in close proximity to our customers, thus enabling us to respond to requests for on-site technical support. This has accorded us with our industry reputation as a trusted and reliable digital security solutions provider amongst our customers.

We have an experienced and technically strong management team

We have been operating our business since 2007, and we are led by an experienced and technically strong senior management team. Throughout these years, we have built an established industry reputation through our management's experience, technical know-how and industry knowledge. Our ability to provide reliable solutions, coupled with our consistent levels of dependable service, has been instrumental in attracting new customers, and has enabled us to maintain our business relationships with our existing customers.

Our Chief Executive Officer, Law Seeh Key has played a pivotal role in steering our strategic direction and growth. His experience, drive and passion for our business have been instrumental to our Group's success to-date. During his tenure with us, Law Seeh Key has consistently placed critical importance on developing our own products and on R&D as the foundation of our Group's long term sustainability. Under his leadership, we secured numerous contracts with several Government institutions, financial institutions, public CA, software development companies and IT service providers, which have been central to our growth and expansion.

5. INFORMATION ON OUR GROUP *(CONT'D)*

Our Chief Executive Officer is supported by the following experienced management team:

Key senior management	Designation	Year joined	Years with us	Years of working experience
Nioo Yu Siong	Chief Operating Officer	2008	10	22
Yong Kim Fui	Non-Independent Executive Director and Chief Financial Officer	2017	1	23
Yee Wen Biau	Vice President of Engineering	2010	8	13
Mohd Affendi Bin Abdul Razak	Vice President of Project Sales	2015	3	18
Yen Chee Khan	Vice President of Product Sales	2008	10	15
Tan Yu Win	Vice President of Project Management and Support	2014	4	17

We believe that the strength and experience of our key senior management team will enable us to continue to further grow our business and expand our market presence.

We are well-positioned for future regional expansion

In FYE 2017, our export sales comprised 87.8% of our total sales, with the major SEA countries accounting for 86.4% of our total sales. In light of the in-roads we have made in SEA, we are poised to continue expanding our market presence therein.

According to the IMR Report prepared by SMITH ZANDER, the digital security market in SEA is expected to demonstrate the following growth:

- Software licensing protection dongles market in SEA is forecast to grow at a CAGR of 7.50% from USD17.16 million (RM73.80 million) in 2017 to USD21.32 million (RM91.70 million) in 2020.

- 2FA market in SEA is forecast to grow at a CAGR of 28.18% from USD752.34 million (RM3,235.66 million) in 2017 to USD1,584.52 million (RM6,814.70 million) in 2020.

- PKI market in SEA is forecast to grow at a CAGR of 8.13% from USD85.20 million (RM366.43 million) in 2017 to USD107.71 million (RM463.24 million) in 2020.

- Authentication management system market in SEA is forecast to grow at a CAGR of 13.91% from USD175.62 million (RM755.31 million) in 2017 to USD259.54 million (RM1,116.23 million) in 2020.

With the anticipated and sustained growth in the digital security market in SEA driving growth for digital security solutions, we are well-positioned to benefit from this growth and continue on our long term growth in the region.

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5.8.12 Other factors affecting our business

5.8.12.1 Seasonality

We are subject to seasonality in our business due to annual budget cycles of certain of our customers, hence, proportionately more invoices are billed/issued in the second half of our financial years. Therefore, we generally have higher billings in the second half of our financial years. Seasonality is a characteristic of product demand in which the demand experiences predictable changes which recur within every calendar year.

We do not experience any cyclicality in our business because the digital security industry is not cyclical in nature. A cyclical industry is one which experiences predictable changes which recur over a period of several years.

5.8.12.2 Dependency on industrial, commercial and financial contracts

As at the LPD, other than as set out below, there are no contract, arrangement, document or other matter on which our Group is dependent.

5.8.12.3 Interruptions to business and operations

Our Group has not experienced any interruption in business which had a significant effect on operations during the 12-month period prior to the date of this Prospectus.

5.8.12.4 Dependency on licenses and permits

Other than major licences and permits set out in **Section 5.8.13**, there are no other licenses and permits on which our Group is dependent.

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5. INFORMATION ON OUR GROUP (*CONT'D*)

5.8.13 Approval, major licences, permits and registrations

As at the LPD, we hold the following major licences, permits and registrations for our business operations:

(a) Securemetric Malaysia

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
Certificate No. 1706	Government of Malaysia	MSC Malaysia Status Certificate	8 May 2007	-	Refer to **Section 8.1.3**	Refer to **Section 8.1.3**
DBKL.JPPP/KM01/0231/05/2017	Jabatan Perlesenan dan Pembangunan Penjaja, Dewan Bandaraya Kuala Lumpur	Signboard licence for the office at L5-E-6, Enterprise 4, Technology Park Malaysia, Lebuhraya Sg Besi-Puchong, Bukit Jalil, 57000 Kuala Lumpur	3 May 2018	2 May 2019 / 1 year	-	-
SKM141707S06082018	Malaysian Communications and Multimedia Commission	Export of information security systems, equipment and components pursuant to Section 16 of the Strategic Trade Act 2010	31 July 2018	31 January 2019 / 6 months	(i) the permit holder shall not export, import any strategic items other than those permitted under the permit and shall deliver the strategic items to the country/person as set out in the permit. (ii) the permit holder shall not, in the case of a bulk or multiple-use permit, export or tranship the strategic items in respect of which a permit is granted if he knows or would, by making reasonable inquiries as to the use or the	Complied Complied

5. INFORMATION ON OUR GROUP (*CONT'D*)

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
					proposed use of the strategic items, have known that the strategic items are intended or likely to be used, wholly or in part, for or in connection with a restricted activity;	
					(iii) the permit holder shall not export, import any strategic items other than that specified in the permit nor exceeding the quantity specified in the permit; and	Complied
					(iv) the permit holder shall not transfer or assign the permit to any other person.	Complied

(b) Securemetric Vietnam

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
0103682805-KD	Hanoi People's Committee	Business licence for implementation of export right, import right, wholesale distribution right and retail distribution right (without establishment of wholesale and retail units) the registered goods under laws and regulations of Vietnam with the HS codes of:	15 December 2017	30 March 2029 / 11 years and 3.5 months	(i) The company shall only carry out the export, import and distribution after fulfilling the specialized management conditions and obtaining other relevant approvals under Vietnam laws;	Complied

5. INFORMATION ON OUR GROUP (*CONT'D*)

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
		8471: Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included; 8523: Discs, tapes, solid-state non-volatile storage devices, "smart cards" and other media for the recording of sound or of other phenomena, whether or not recorded, including matrices and masters for the production of discs, but excluding products of Chapter 37 (Photographic or cinematographic goods); 4911: Other printed matter, including printed pictures and photographs; 8504: Electrical transformers, static converters (for example, rectifiers) and inductors; 8472: Other office machines (for example, hectograph or stencil duplicating machines, addressing machines, automatic banknote dispensers, coin-sorting machines, coin-counting or wrapping machines, pencil-sharpening machines, perforating or stapling machines);			(ii) For the goods under HS code 8517, the company must not import and/or distribute product of mobile phone for the purpose of personal consumption; (iii) For the goods under HS code 8523, the company must not import and/or distribute devices with recorded information contained therein; and (iv) For the goods under HS code 4911, the Company must not import, right to distribute with newspapers, specialised journals and periodical publications; have/don't have illustrative of images or have advertisement contents and kind of books, newspapers, journals specified in Addendum no. 02 and 03 of Circular No. 34/2013/TT-BCT.	Not applicable as company does not deal with goods under HS code 8517 Complied Not applicable as company does not deal with goods under HS code 4911

5. INFORMATION ON OUR GROUP (*CONT'D*)

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
		8517: Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network (such as a local or wide area network), other than transmission or reception apparatus of heading 84.43, 85.25, 85.27 or 85.28; and 8302: Base metal mountings, fittings and similar articles suitable for furniture, doors, staircases, windows, blinds, coachwork, saddlery, trunks, chests, caskets or the like; base metal hat-racks, hat-pegs, brackets and similar fixtures; castors with mountings of base metal; automatic door closers of base metal.				
41/2017/GPKD-BCY	Vietnam Government Cipher Committee	Trading civil cryptography products and services	19 December 2017	19 December 2027 / 10 years	The company is only entitled to do business in relation to the products provided in the list of permitted civil cryptography products and services attached in the said licence.	Complied
01/2018/GPXNK-BCY	Vietnam Government Cipher Committee	Importation and exportation of civil cryptography products	9 January 2018	9 January 2019 / 1 year	The company is only entitled to do business in relation to the products provided in the list of permitted civil cryptography products and services attached in the said licence.	Complied

5. INFORMATION ON OUR GROUP (*CONT'D*)

(c) Securemetric Philippines

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
Permit No. 2018-01769	Makati City Business Permits Office	Mayor's business permit	18 January 2018	31 December 2018 / 11.5 months	-	-

(d) Securemetric Indonesia

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
991/I/PMA/2008	Indonesia's Investment Coordinating Board (BKPM)	Investment Approval	18 June 2008	Valid until the company decides to cease its operation	Company shall present its Investment Activities Report every 6 months to: - Mayor of Jakarta Pusat; - Badan Penanaman Modal and Pendayagunaan Kekayaan & Usaha Daerah; and - The deputy of investment controller of BKPM.	Complied
633/1/IU/I/PMA/ PERDAGANGAN/ 2011	Indonesia's Investment Coordinating Board (BKPM)	Business License	23 September 2011	Valid until the company decides to cease its operation	(i) Company shall implement the management and monitoring of environment matters in accordance with applicable regulations; and (ii) Company shall present its Investment Activities Report every 6 months to: - Mayor of Jakarta Pusat - Badan Penanaman Modal and Pendayagunaan Kekayaan & Usaha Daerah - The deputy of investment controller of BKPM.	Complied

5. INFORMATION ON OUR GROUP (*CONT'D*)

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
34/1/IU-PL/PMA/2014	Indonesia's Investment Coordinating Board (BKPM)	Business Expansion License	24 February 2014	Valid until the company decides to cease its operation	(i) Company shall implement the management and monitoring of environment matters in accordance with applicable regulations; and (ii) Company shall present its Investment Activities Report every 6 months to: - Mayor of Jakarta Pusat - Head of BKPM of 'Daerah Khusus Ibukota' Jakarta - The deputy of investment controller of BKPM.	Complied
694/1/IU-PB/PMA/2017	Indonesia's Investment Coordinating Board (BKPM)	Amendment of Business Licenses	30 October 2017	Valid until the company decides to cease its operation	-	-
090210447-B	Indonesia's Investment Coordinating Board (BKPM) on behalf of Trade Ministry	General Importer's Identification Number	12 December 2017	Valid until the company decides to cease its operation	(i) Company shall report to BKPM within 30 calendar days if: - there is a change in its business activities; or - there is any change in company's board of directors/commissioners, and registered address; and (ii) Company shall submit its import realisation report every 3 months to BKPM.	Complied
01.048237	Directorate General of Custom	Custom Identification Number	3 January 2018	-	-	-

5. INFORMATION ON OUR GROUP (*CONT'D*)

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
97/SPPL/IP/XII/2013	Office of Environment of Jakarta Pusat	Environmental License	6 December 2013	-	-	-
8120109940533	Management and Organizing Institution of Online Single Submission of Indonesia	Business Registration Number*	3 September 2018	Valid until the company decides to cease its operation	-	-

Note:

* *The Business Registration Number was obtained due to the implementation of the Online Single Submission ("**OSS**") system by the Indonesian government on 21 June 2018. The OSS system is an online system which companies in Indonesia are required to use for the purpose of transacting with the government authorities (i.e. application for licences). The Business Registration Number enables Securemetric Indonesia to have access to the OSS system.*

(e) Softkey Indonesia

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
8/I/PMA/2006	Indonesia's Investment Coordinating Board (BKPM)	Investment Approval	3 January 2006	3 January 2036 / 30 years	Company shall present its Investment Activities Report every 6 months to: - Mayor of Jakarta Selatan - Badan Penanaman Modal and Pendayagunaan Kekayaan & Usaha Daerah - The deputy of investment controller of BKPM	Complied

5. INFORMATION ON OUR GROUP (*CONT'D*)

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
1369/1/IP-PB/PMA/2016	Indonesia's Investment Coordinating Board (BKPM)	Amendment of Principal License for Investment	20 April 2016	Valid until the company decides to cease its operation	-	-
300/T/ Perdagangan/ 2009	Indonesia's Investment Coordinating Board (BKPM)	Permanent Business License	27 March 2009	Valid until the company decides to cease its operation	(i) Company shall only conduct major trade (primary distributor) and not retail; and (ii) Shall present its Investment Activities Report no later than 31 January in every year to: - Mayor of Jakarta Pusat; - 'Badan Penanaman Modal dan Promosi, Daerah Khusus Ibukota Jakarta'; and - The deputy of investment controller of BKPM.	Complied
789/1/IU-PB/PMA/2017	Indonesia's Investment Coordinating Board (BKPM)	Amendment of Business Licenses	11 December 2017	Valid until the company decides to cease its operation	-	-
090209202-B	Indonesia's Investment Coordinating Board (BKPM) on behalf of Trade Ministry	General Importer's Identification Number	14 December 2017	Valid until the company decides to cease its operation	(i) Company shall report to BKPM within 30 calendar days if: - there is a change in its business activities; or - there is any change in company's board of directors/ commissioners, and registered address; and	Complied

5. INFORMATION ON OUR GROUP (*CONT'D*)

Licence no. / Reference no.	Issuing authority	Subject matter / Purpose	Issue / Renewal date	Expiry date / Duration	Major conditions imposed	Status of compliance
					(ii) Company shall submit its import realisation report every 3 months to BKPM.	
01.042950	Directorate General of Custom	Custom Identification Number	16 January 2018	-	-	-
04/K.17/31.73.03/1 .774.15/2017	Office of Environment of Jakarta Barat	Environmental License	11 September 2017	-	-	-
8120009813011	Management and Organizing Institution of Online Single Submission of Indonesia	Business Registration Number*	31 August 2018	Valid until the company decides to cease its operation	-	-

Note:

* *The Business Registration Number was obtained due to the implementation of the Online Single Submission ("**OSS**") system by the Indonesian government on 21 June 2018. The OSS system is an online system which companies in Indonesia are required to use for the purpose of transacting with the government authorities (i.e. application for licences). The Business Registration Number enables Softkey Indonesia to have access to the OSS system.*

5.8.14 Trademarks

Generally, trademarks are registered in those countries in which the Group has operation in. As at the LPD, Securemetric Malaysia has registered the following trademarks in Malaysia:

No.	Registered owner	Representation of trademark	Application number	Issuing authority	Date of certification or effective date / Expiry or renewal date	Classification
1.	Securemetric Malaysia	CENTAGATE	2011052864	Intellectual Property Corporation of Malaysia	11 August 2011 to 11 August 2021	Class 9
2.	Securemetric Malaysia	CENTAGATE	2011052865	Intellectual Property Corporation of Malaysia	11 August 2011 to 11 August 2021	Class 42
3.	Securemetric Malaysia	SECURE METRIC TECHNOLOGY SECUREMETRIC TECHNOLOGY	08006614	Intellectual Property Corporation of Malaysia	4 April 2018 to 4 April 2028	Class 42

Securemetric Malaysia had applied for the registration of the trademark "PKI IN A BOX" with the Intellectual Property Corporation of Malaysia vide application No. 2014006027 on 29 May 2014. The application was rejected on 24 December 2014 due to the reason that the trademark is not distinctive and does not satisfy Section 10(1)(d) Trade Marks Act, 1976 which requires the trademark to contain "*a word having no direct reference to the character or quality of the goods or services not being, according to its ordinary meaning, a geographical name or surname*". Securemetric Malaysia decided not to appeal against the rejection as it did not wish to rename its product to comply with Section(10)(1)(d) of the Trade Marks Act, 1976. Renaming the product would have incurred time and financial cost including explanation required to be made to its existing customers. Securemetric Malaysia is of the view that the absence of a registered trademark would not affect its ability to sell its product and to secure projects.

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5. INFORMATION ON OUR GROUP (*CONT'D*)

As at the LPD, our Group has registered the following trademarks in other countries:

No.	Registered owner	Representation of trademark	Registration number	Issuing authority	Place of registration	Date of certification or effective date / Expiry or renewal date	Classification
1.	Securemetric Malaysia	CENTAGATE	IDM000469498	Directorate General of Intellectual Property Rights	Indonesia	13 November 2012 to 13 November 2022	Class 9
2.	Securemetric Malaysia	CENTAGATE	KOR401495	Department of Intellectual Property of Thailand	Thailand	21 December 2012 to 21 December 2022	Class 9
3.	Securemetric Malaysia	CENTAGATE	218699	National Office of Intellectual Property of Vietnam	Vietnam	16 November 2012 to 16 November 2022	Class 9
4.	Securemetric Malaysia	CENTAGATE	4/2012/00013858	Intellectual Property Office of the Philippines	The Philippines	18 April 2013 to 18 April 2023	Class 9
5.	Securemetric Malaysia	CENTAGATE	T1217090C	Intellectual Property Office of Singapore	Singapore	12 November 2012 to 12 November 2022	Class 9
6.	Securemetric Vietnam	PKI IN A BOX	268323	National office of Intellectual Property of Vietnam	Vietnam	31 July 2014 to 31 July 2024	Class 9
7.	Securemetric Vietnam	PKI IN A BOX	40201516887Q International Registration number: 1266103	Intellectual Property Office of Singapore	Singapore	13 August 2015 to 13 August 2025	Class 9
8.	Securemetric Vietnam	PKI IN A BOX	International Registration number: 1266103	Intellectual Property Office of the Philippines	The Philippines	13 August 2015 to 13 August 2025	Class 9

5. INFORMATION ON OUR GROUP (*CONT'D*)

As at the LPD, Securemetric Malaysia has applied to register the following trademarks:

No.	Applicant	Representation of trademark	Application number	Issuing authority	Proposed place of registration	Classification	Date of application	Status of application as at the LPD	Certification processing time
1	Securemetric Malaysia	CENTAGATE® BOX	2017064939	Intellectual Property Corporation of Malaysia	Malaysia	Class 9	4 August 2017	Approved and pending issuance of certificate of registration	Estimated 1 to 2 months from LPD
2.	Securemetric Malaysia	PKI IN A BOX	DOO2014027141	Directorate General of Intellectual Property Rights	Indonesia	Class 9	13 June 2014	Pending notification of any opposition to the trademark application	Estimated 13 to 19 months from LPD

Note:

The classification referred to in the tables above refers to the NICE Classification. The NICE Classification is based on the NICE Agreement, which was concluded in 1957, concerning the international classification of goods and services for the purposes of the registration of marks. It comprises class headings, which describes the nature of goods and services in each of the thirty four (34) classes of goods and eleven (11) classes of services.

Description of classes under the NICE Classification:

Class 9: scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.

Class 42: scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

5.8.15 Copyright and patents

As at the LPD, we do not have any rejected copyright applications and Securemetric Malaysia has made the following application to copyright the contents of our marketing material for CENTAGATE BOX:

No.	Applicant	Title of work	Application number	Issuing authority	Proposed place of registration	Date of application	Type of work	Status of application as at the LPD	Certification processing time
1.	Securemetric Malaysia	CENTAGATE BOX	LY2017001998	Intellectual Property Corporation of Malaysia	Malaysia	22 June 2017	Literary	Approved and pending issuance of certificate of registration	Estimated 2 to 3 months from LPD

Our patents that are being applied for (which are pending registration approval) are not in respect of our products and are instead associated with our methodologies (i.e. algorithm workflow) in our digital security solutions. The methodologies are not required to be successfully patented in order for them to continue to be used in our business operations. Our rationale for seeking registration of patents is to potentially create value for the patented inventions. As at the LPD, our Group does not have any registered patents. Our decision on the countries in which to apply for the registration of patents is made after considering the fact that the chosen countries predominantly conduct their business operations in English and also the potential value to be derived from registering the patents in these countries. The registration of a patent will normally take approximately 5 years from the date of application or longer depending on the complexity of the invention.

Securemetric Malaysia had applied to patent its "Hybrid Adaptive Authentication Scoring System" via patent application number US 14/843,665 with the United States Patent and Trademarks Office on 2 September 2015. The patent application was rejected on 18 April 2018 by the United States Patent and Trademarks Office due to the reason that more inventive steps (i.e. new idea or invention that is not obvious to a skilled person in that particular field) are required and documented in order to comply with Title 35 of the United States Code number 103. Securemetric Malaysia decided not to appeal against the rejection as it would involve additional time and costs. Securemetric Malaysia does not foresee that the unsuccessful application would affect Securemetric Malaysia's ability to secure projects as the patent is not required to be successfully patented in order for it to continue to be used in our business operations. We may however be faced with financial impact if the module (i.e. "Hybrid Adaptive Authentication Scoring System") behind the applied patent is also adopted by our competitors. The patent is associated with our module in CENTAGATE® and we will continue to offer the module to our customers.

5. INFORMATION ON OUR GROUP (*CONT'D*)

As at the LPD, Securemetric Malaysia has made applications to patent the following inventions:

No.	Applicant	Title of Invention / Related to which product	Application number	Issuing authority	Proposed place of registration	Date of application	Status of application as at LPD
1.	Securemetric Malaysia	Hybrid Adaptive Authentication Scoring System ("HAASS") / CENTAGATE®	PI 2014702457	Intellectual Property Corporation of Malaysia	Malaysia	2 September 2014	Applied for and pending approval
			PH 1-2015-000292	Intellectual Property Office of the Philippines	The Philippines	2 September 2015	Applied for and pending approval
2.	Securemetric Malaysia	OTP Token Device / 2FA	PI 2014000054	Intellectual Property Corporation of Malaysia	Malaysia	7 January 2014	Applied for and pending approval
3.	Securemetric Malaysia	System and Method for Remote Unblocking of Security Token / PKI	PI 2013004472	Intellectual Property Corporation of Malaysia	Malaysia	11 December 2013	Applied for and pending approval
4.	Securemetric Malaysia	System and Method for Mobile Digital Signature Generation and Validation / PKI	PI 2017701748	Intellectual Property Corporation of Malaysia	Malaysia	17 May 2017	Applied for and pending approval
5.	Securemetric Malaysia	Secured Mobile Software Security Token Life Cycle Protection / CENTAGATE®	PI 2017701745	Intellectual Property Corporation of Malaysia	Malaysia	17 May 2017	Applied for and pending approval

5.8.16 Properties

As at the LPD, we do not own any properties. All properties being used for our operations are rented, as follows:

No.	Tenant	Landlord	Location	Description and existing use	Built-up area	Rental rate (per month)	Rental/ Lease Period	Details of CF/ CCC
1.	Securemetric Malaysia	Technology Park Malaysia Corporation Sdn Bhd	L5-E-6, Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong-Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur, Malaysia.	Office space for Securemetric Malaysia	464.5 square metres	RM 18,285	1 May 2017 to 30 April 2019	Issue Date: 13 December 2001 Certificate No.: BP B990017
2.	Securemetric Malaysia	Technology Park Malaysia Corporation Sdn Bhd	L5-E-7B, Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong-Sg. Besi, Bukit Jalil, 57000 Kuala Lumpur, Malaysia.	Office space for Securemetric Malaysia	250.8 square metres for the first two years 373.8 square metres for the remaining third year	RM 9,315 (for the first two years) RM13,882.80 (for the remaining one year)	1 October 2018 to 30 September 2021	Issue Date: 13 December 2001 Certificate No.: BP B990017
3.	Securemetric Indonesia	Hasim Anwar	Ketapang Business Center, 1st and 2nd Floor, Block C No. 11, Jl. KH. Zainul Arifin No. 20, Kel. Krukut, Kec. Tamansari, Jakarta Barat 11140, Indonesia.	Office space for Securemetric Indonesia	136 square metres	IDR 7,104,166.67 (equivalent to RM2,013 at the exchange rate of RM1 : IDR3,529 as at LPD)	1 September 2018 to 31 August 2020	-

5. INFORMATION ON OUR GROUP (*CONT'D*)

No.	Tenant	Landlord	Location	Description and existing use	Built-up area	Rental rate (per month)	Rental/ Lease Period	Details of CF/ CCC
4.	Securemetric Vietnam	Tung Duc-TDL Company Limited	Room 203B, TDL Office Building, No. 22, Lang Ha Street, Lang Ha Ward, Dong Da District, Hanoi, Vietnam.	Office space for Securemetric Vietnam	75.2 square metres	VND 31,437,510 (equivalent to RM5,485 at the exchange rate of RM1 : VND5,732 as at LPD)	11 May 2018 to 10 May 2020	Certificate of Land use right No.: 000864QSDD* Issue Date: 23 September 2004
5.	Securemetric Vietnam	Tracodi Service Joint Stock Company	L14-08B, 14th floor, Vincom Tower, No.72 Le Thanh Ton Street, Ben Thanh Ward, District 1, Ho Chi Minh City, Vietnam.	2 workstations in a shared office for Securemetric Vietnam	Workspace of total 6 square metres in a shared office of 35 square metres	VND 6,490,000 (equivalent to RM1,132 at the exchange rate of RM1 : VND5,732 as at LPD)	1 May 2018 to 31 October 2018	Certificate of Land use right No.: BK629435* Issue Date: 11 June 2013
6.	Securemetric Philippines	JCamano Commercial Space Leasing	Unit 7D, 7th Floor, Athenaeum Building, 160 L.P Leviste St, Salcedo Village, Makati City 1227, Philippines.	Office space for Securemetric Philippines	119.64 square metres	PHP 70,408.14 (equivalent to RM5,342 at the exchange rate of RM1 :PHP13.18 as at LPD)	1 April 2018 to 31 March 2020	Issue Date: 16 June 2014 Certificate No.: OP-0614-0713
7.	Securemetric Singapore	Signature Space Pte Ltd	105 Cecil Street, #06-01 The Octagon, 069534 Singapore.	Virtual office for the purpose of Securemetric Singapore's business mailing address	-	SGD 125.00 (equivalent to RM372 at the exchange rate of RM1 : SGD0.3357 as at LPD)	6 August 2018 to 5 August 2019	Issue Date: 14 May 1985 Certificate No.: CF 000543

5. INFORMATION ON OUR GROUP (*CONT'D*)

No.	Tenant	Landlord	Location	Description and existing use	Built-up area	Rental rate (per month)	Rental/ Lease Period	Details of CF/ CCC
8.	Softkey Indonesia	Hasim Anwar	Ketapang Business Center, 3rd and 4th Floor, Block C No. 11, Jl. KH. Zainul Arifin No. 20, Kel. Krukut, Kec. Tamansari, Jakarta Barat 11140, Indonesia.	Office space for Softkey Indonesia	136 square metres	IDR 7,104,166.67 (equivalent to RM2,013 at the exchange rate of IDR1 : RM3,529 as at LPD)	1 September 2018 to 31 August 2020	-

Note:

* *Under the laws of Vietnam, there is no requirement for certificates of fitness for occupation to be issued for the Vietnamese office premises. In order for the premises to be used as offices, they must be issued with certificates of land use right which have been issued. The certificate of land use right disclosed in Section 5.8.16 (4) was issued by the People's Committee of Hanoi City and the certificate of land use right disclosed under Section 5.8.16 (5) was issued by the People's Committee of Ho Chi Minh City.*

Save for office spaces under item 2 (Securemetric Indonesia) and item 7 (Softkey Indonesia), all the other rented properties are in compliance with the relevant/applicable laws, rules and regulations for the occupation of the said properties, and we do not face any regulatory requirement or environmental issue which may materially affect our operations and utilisation of the above rented properties. We have not in the past had any penalties imposed on us with regards to any of the rented properties.

The rented office premises set out in items 2 and 7 above (office spaces for Securemetric Indonesia and Softkey Indonesia respectively) currently do not possess the local versions of the certificates of completion and compliance known as the "Sertifikat Laik Fungsi", which are the responsibilities of the respective landlords to obtain. In the event our use of the office premises is terminated by the local authority due to the absence of the "Sertifikat Laik Fungsi" we plan to relocate our offices to other office premises with the "Sertifikat Laik Fungsi" within the vicinity of the current office premises. We foresee that any relocation of our offices will not take more than a week and hence will not disrupt our operations in Indonesia. We also foresee that the cost of relocation will not be substantial and to be between IDR50 million and IDR80 million.

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5.8.17 Top 5 major suppliers

FYE 31 December 2015

Major Suppliers	Supply items	RM'000	%*	Length of relationship
Feitian Technologies Co., Ltd ("**Feitian**")	OTP tokens and PKI tokens, software licensing protection dongles, smart card readers	3,624	*62.7*	10 years
Advanced Card Systems Ltd	Smart cards and smart card readers	518	*9.0*	8 years
SecuGen Corporation	Fingerprint readers	372	*6.4*	4 years
Afiintra Technologies Sdn Bhd	HSMs	327	*5.7*	3 years
Utimaco IS GmbH	HSMs	251	*4.3*	6 years
Subtotal		**5,092**	***88.1***	

FYE 31 December 2016

Major Suppliers	Supply items	RM'000	%*	Length of relationship
Feitian	OTP tokens and PKI tokens, software licensing protection dongles, smart card readers	7,109	*70.1*	10 years
Ascertia Limited	*SigningHub* (digital signing software)	768	*7.6*	5 years
Primekey Solutions AB	*EJBCA Enterprise* and PKI appliances	484	*4.8*	6 years
Utimaco IS GmbH	HSMs	409	*4.0*	6 years
Advanced Card Systems Ltd	Smart cards and smart card readers	352	*3.5*	8 years
Subtotal		**9,122**	***90.0***	

FYE 31 December 2017

Major Suppliers	Supply items	RM'000	%*	Length of relationship
Feitian	OTP tokens and PKI tokens, software licensing protection dongles, smart card readers	6,534	*53.4*	10 years
Primekey Solutions AB	*EJBCA Enterprise* and PKI appliances	2,660	*21.7*	6 years
Utimaco IS GmbH	HSMs	943	*7.7*	6 years
SecuGen Corporation	Fingerprint readers	700	*5.7*	4 years
Advanced Card Systems Ltd	Smart cards and smart card readers	472	*3.9*	8 years
Subtotal		**11,309**	***92.4***	

4M-FPE 30 April 2018

Major Suppliers	Supply items	RM'000	%*	Length of relationship
Feitian	OTP tokens and PKI tokens, software licensing protection dongles, smart card readers	1,788	*80.9*	10 years
Utimaco IS GmbH	HSMs	62	*2.8*	6 years
Advanced Card Systems Ltd	Smart cards and smart card readers	55	*2.5*	8 years
Afiintra Technologies Sdn Bhd	HSMs	49	*2.2*	3 years
SecuGen Corporation	Fingerprint readers	32	*1.4*	4 years
Subtotal		**1,986**	***89.8***	

5. INFORMATION ON OUR GROUP *(CONT'D)*

Note:

* *As a percentage of total purchases for FYEs 31 December 2015 to 2017 and 4M-FPE 30 April 2018 of RM5.78 million, RM10.14 million, RM12.23 million and RM2.21 million, respectively.*

The increase in purchases from Feitian for the FYE 31 December 2016 from RM3.62 million to RM7.11 million were mainly due to the sales of PKI tokens and softkey licensing protection dongles from Securemetric Vietnam (Cong ty Co phan Thuong mai - Dich vu Ung dung Di dong amounting to RM1.26 million and Cong ty Co phan Chu ky so Vina amounting to RM0.84 million) and Malaysia (Harf Information Technology Co amounting to RM0.53 million and Augmented Technology Sdn Bhd amounting to RM0.36 million). The increase in purchases from Primekey Solutions AB for the FYE 31 December 2017 was mainly due to the increase in PKI solution from VAXUCO and CENTAGATE® project from PT Anabatic Technologies Tbk.

Feitian has been our supplier for 10 years, since we commenced our business in 2008. Feitian is the third party manufacturer for our software licensing protection dongles and 2FA/PKI tokens, and also our third party supplier for software licensing protection dongles. We have established a long-standing, trusted and mutually beneficial business relationship with Feitian, and as a result, it remains as our preferred supplier. We have access to 9 alternative suppliers for dongles and tokens if such a need arises or if we are no longer able to use Feitian as our main supplier. Save for Feitian, we have not made purchases constituting more than 10% of our total purchases for 4M-FPE 30 April 2018 from any other particular supplier.

We are not dependent on any particular major supplier as alternative suppliers are readily available for the supply items. We are able to collaborate with alternative suppliers to design and manufacture the relevant supply items. In addition, our management periodically considers new alternative suppliers to mitigate any risks of over-reliance on our major suppliers. We may incur potential switching costs, such as staff training, for familiarisation with the new products from alternative suppliers. However, we have taken these costs into consideration and do not anticipate any significant impact to our profit margin arising therefrom as we are confident that we would be able to negotiate favourable margins due to our regional business presence.

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5. INFORMATION ON OUR GROUP *(CONT'D)*

5.8.18 Top 5 major customers

FYE 31 December 2015

Major Customers	Revenue items	RM'000	%*	Length of relationship
Commerce Dot Com Sdn Bhd	PKI tokens	1,080	*6.4*	9 years
Feitian	CENTAGATE®	1,025	*6.0*	6 years
China Travel Hi-Tech Computer H.K Ltd	PKI project	923	*5.4*	3 years
Myanma Computer Company Ltd	2FA	838	*4.9*	6 years
Scan Associates Berhad	PKI tokens	507	*3.0*	6 years
Subtotal		**4,373**	***25.7***	

FYE 31 December 2016

Major Customers	Revenue items	RM'000	%*	Length of relationship
Bank of the Philippine Islands	CENTAGATE®	2,838	*11.5*	2 years
Thursby Software System, Inc	Smart card readers	2,336	*9.4*	3 years
VAXUCO	PKI project	2,157	*8.7*	2 years
Commerce Dot Com Sdn Bhd	PKI tokens	1,350	*5.5*	9 years
Cong ty Co phan Thuong mai - Dich vu Ung dung Di dong (Commercial Mobile Application Trading Joint Stock Company)	PKI tokens	1,262	*5.1*	2 years
Subtotal		**9,943**	***40.2***	

FYE 31 December 2017

Major Customers	Revenue items	RM'000	%*	Length of relationship
VAXUCO	PKI project	16,962	37.9	2 years
Standard Chartered Bank	PKI project	4,270	9.5	1 year
Thursby Software System, Inc	Smart card readers	2,665	6.0	3 years
Công ty Cổ phần Chữ ký số VINA (Vina Digital Signature Joint Stock Company)	PKI tokens	1,957	4.4	4 years
Anabatic Technologies Tbk, PT	CENTAGATE®	1,082	2.4	1 year
Subtotal		**26,936**	***60.2***	

4M-FPE 30 April 2018

Major Customers	Revenue items	RM'000	%*	Length of relationship
Thursby Software System, Inc	Smart card readers	953	13.7	3 years
Hypersecu Information Systems Inc	CENTAGATE®	944	13.5	1 year
Bank of the Philippine Islands	CENTAGATE®	514	7.4	2 years
Tenaga Nasional Berhad	PKI project	478	6.9	1 year
Standard Chartered Bank	PKI project	343	4.9	1 year
Subtotal		**3,232**	***46.4***	

Note:

* *As a percentage of total revenues for FYEs 31 December 2015 to 2017 and the 4M-FPE 30 April 2018 of RM16.98 million, RM24.75 million, RM44.77 million and RM6.97 million, respectively.*

Bank of the Philippine Islands was our major customer in FYE 31 December 2016 for the implementation of our CENTAGATE® solution. VAXUCO emerged as our main revenue contributor for FYE 31 December 2017 due to work done for PKI projects secured from VAXUCO in 2016 and the PKI project was completed in October 2017. As some of our solutions are project-based, we may derive substantial revenue from different customers each year. We are not dependent on any particular major customer for our revenue as we continually seek new customers.

5.8.19 Business strategies and prospects

Business strategies

(i) We plan to expand our regional offices as we focus our growth on SEA

The growth and expansion of our Group has historically been centred on our growing business in SEA. Over the past 3 FYEs December 2015 to 2017, our average revenue from major countries in SEA, such as Malaysia, Vietnam, Singapore, The Philippines and Indonesia have accounted for 18.1%, 31.0%, 4.7%, 7.2% and 11.4% of our average total revenue respectively. The revenue from these major SEA countries collectively recorded a CAGR of 86.4% from FYEs December 2015 to 2017.

Based on the revenue contribution and growth of these major SEA countries, our regional track record provides us with a foundation and platform for further expansion and growth in the SEA market, as we are able to leverage on our presence in this region, as well as our established relationships with our existing customers and business partners in these countries. Given our historical track record, we expect to be able to tap into further opportunities in the existing markets in which we operate.

With this, we plan to expand our current offices in Malaysia and the Philippines as well as to increase headcounts in our project management and support, marketing, business development, customer support and technology divisions in Malaysia, Indonesia, Vietnam and the Philippines. These costs will comprise rental and renovation costs for office expansion, as well as salary and related costs for new additions to our team. These are expected to amount to approximately RM6.68 million which will be fully funded by the proceeds from our listing, and the expansion is targeted to be completed within 2 years from our Listing, as set out in **Section 3.8(a)(i), Section 3.8(b)(ii)** and **Section 3.8(d)(i)** of this Prospectus.

With these opportunities and drivers for growth in SEA, we anticipate long term sustainability for our Group as we continue to focus on growth in the digital security and authentication solutions market in SEA. This is expected to contribute to the continued expansion of our Group's business, as well as to enhance the results of our operations and financial performance.

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(ii) We will continue to expand our presence in the SEA market through increased sales and marketing activities

In order to continue increasing our market share and strengthening our presence in the SEA region, we plan to adopt the following sales and marketing strategies:

(i) Participate in external events, exhibitions and seminars together with self-organised Chief Information Officer/Chief Security Officer roundtables where we can showcase the advantages and benefits of our solutions. We have identified the following events, exhibitions and seminars that we intend to participate in over the next two years, comprising primarily banking and IT security related events:

- CSM ACE in Malaysia
- BankTech Asia in The Philippines
- The Philippine Software Industry Conference in The Philippines
- Information Security Officer Group Summit in The Philippines
- Asian Banker Summit in Singapore
- RSA Conference Asia Pacific and Japan in Singapore
- ASEAN Chief Information Officer /Chief Security Officer Summit in Vietnam
- Vietnam Digital Government in Vietnam
- Banking Vietnam in Vietnam
- Cyber Security Indonesia in Indonesia
- ASEAN IT Security Conference in Indonesia
- Self-organised Chief Information Officer roundtables in Malaysia, Singapore, Indonesia, Vietnam and The Philippines

(ii) Leverage on our existing business relationships with our customers and business associates throughout SEA by continuing to engage them and keeping them updated on our existing and new solutions

The cost to participate in events, exhibitions and seminars, as well as our general sales and marketing expenses, is expected to amount to approximately RM1.0 million, and this amount will be fully funded by our Listing Proceeds. These expenses are targeted to be incurred over the next 2 years.

Showcasing our solutions and our track record at events, exhibitions and seminars will raise the profile and reputation of our Group in the digital security industry. Increasing our sales and marketing activities will help create enhanced visibility for our Group and our solutions. Both elements will be important as we embark on our next phase of business expansion as a public listed company.

(iii) We will continue to develop new digital security solutions to maintain our growth and sustainability in the industry

Since the commencement of our business, we have demonstrated our capabilities in developing new products and solutions using newer technologies to cater to the needs of our customers. From a distributor of third party products, we have evolved into the development of customised solutions such as 2FA, PKI and CENTAGATE®. The adoption of newer technologies to enhance the security levels of our products and solutions is evidenced by the Common Criteria certifications that we have received over the years. **Section 5.8.7(ii)** of this Prospectus sets out details of our Common Criteria certifications.

In line with our ongoing expansion plans, we will continue to develop solutions with the latest digital security technologies to meet evolving market needs and demands. Amongst some of the new solutions that we have earmarked are as follows:

- CENTAGATE® on Cloud

  We target to expand our CENTAGATE® to offer Authentication-as-a-Service. As this will be a subscription-based model, the cost will be less prohibitive as compared to a customised CENTAGATE® solution, and hence will be targeted at smaller organisations or small and medium enterprises ("**SMEs**") with lesser user base and budgetary constraints. This will enable us to expand our customer base for CENTAGATE®.

- CENTAGATE® BOX for financial technology ("**FinTech**")

  We intend to develop a customised version of our CENTAGATE® solution for FinTech applications. Two key areas of focus will be as follows:

  (i) tokenisation to comply with PCI DSSS requirements; and
  (ii) secure mobile execution environment

- Digital Signing-as-a-Service

  We plan to consolidate our past PKI and digital signing project experience to offer digital signing as a subscription-based service. Digital signing is a service to apply digital signatures to formal documents to prevent unauthorised copying. As at the LPD, we have identified the following digital signing services to be developed:

  - Electronic Scroll for universities, colleges and schools
  - Electronic Notary for public notaries
  - Electronic Invoice for enterprises
  - Electronic Contract for legal firms and lawyers

- PKI IN A BOX for IOT

  With the potential growth in IOT, our Group anticipates that there will be increasing demand for digital security solutions for IOT applications. This will present opportunities for our Group to customise our PKI IN A BOX to be deployed to IOT devices.

We have ongoing R&D activities focusing on the above solutions, with targeted launch of the solutions as follows:

- CENTAGATE® on Cloud by 1st quarter of 2019
- PKI IN A BOX for IOT by 2nd quarter of 2019
- Digital Signing-as-a-Service by 1st quarter of 2020
- CENTAGATE® BOX for FinTech by 1st quarter of 2021

We anticipate that the R&D cost for these new solutions will amount to approximately RM5.70 million to be funded by our Listing Proceeds and shall be utilised within 2 years from our Listing. We are allocating RM2.8 million for investment in R&D equipment for the development and testing of these new solutions, RM0.5 million for development and registration of patents related to IOT, digital signing and FinTech solutions, and RM2.40 million to expand the R&D team comprising experienced mobile security and IOT engineers.

Our continued focus on R&D for the ongoing development of new solutions will provide our Group with the platform for long term sustainable growth. We will remain committed to investments in R&D and technology as this will continue to ensure the expansion of our Group's business and growth in our financial performance.

Prospects

Our Board is of the view that our Group will enjoy positive and promising growth and favourable prospects in the long-term premised on our following competitive strengths:

(a) We have resilient technologies and expertise to adapt our solutions to the changing requirements of the digital security industry;

(b) Our engineering and R&D activities has provided the foundation and platform for our growth and expansion;

(c) We have proven capabilities in selling our products and solutions to customers overseas;

(d) We have a wide range of solutions that caters to customers with different levels of digital security requirements;

(e) We have digital security solutions that are certified to international security standards;

(f) We offer efficient and reliable customer and technical support to our customers via our regional support network;

(g) We have an experienced and technically strong management team; and

(h) We are well-positioned for future regional expansion.

Further details of our competitive strengths are set out in **Section 5.8.11** of this Prospectus.

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SMITH ZANDER INTERNATIONAL SDN BHD (1058128-V)
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T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

25 SEP 2018

The Board of Directors

Securemetric Berhad
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

Dear Sirs,

Industry Overview of Digital Security and Electronic Identification in Southeast Asia ("Industry Overview")

This Industry Overview has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the listing of Securemetric Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

For and on behalf of SMITH ZANDER:

DENNIS TAN
MANAGING PARTNER

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The research for this Industry Overview was completed on 25 September 2018.

For further information, please contact:

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 20 years of experience in market research and strategy consulting, including over 15 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

1 INTRODUCTION

Objective of the study

This Industry Overview has been prepared in conjunction with the listing of Securemetric Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this Industry Overview is to provide an independent view of the industry and market(s) in which Securemetric Berhad and its subsidiaries ("Securemetric Group") operate and to offer a clear understanding of industry and market dynamics.

Rationale and scope of work

Securemetric Group is principally involved in the provision of digital security solutions as well as the trading of electronic identification products, and other related services. The scope of work for this Industry Overview will thus address the following three (3) areas:

(i) The digital security industry, which is the broad industry in which Securemetric Group operates in;

(ii) The software licensing protection dongles, two factor authentication ("2FA"), public key infrastructure ("PKI") and authentication management system markets, as these digital security solutions are the key revenue contribution to Securemetric Group at 82.8% of its total revenue for the financial year end ("FYE") 31 December 2017, and the electronic identification market, as the revenue contribution from this segment was 13.1% of Securemetric Group's total revenue for FYE 31 December 2017.

In FYE 31 December 2017, Securemetric Group's export sales comprised 87.8% of its total sales, with the major SEA countries accounting for 86.4% of its total sales. Therefore, this report will cover the software licensing protection dongles, 2FA, PKI, authentication management system and electronic identification markets in SEA; and

(iii) The competitive landscape of the digital security industry in Malaysia and Vietnam, as Securemetric Group is based in Malaysia and its digital security solutions in Malaysia and Vietnam were the two largest revenue contributors for its FYE 31 December 2015 to FYE 31 December 2017, as well as the competitive landscape of the digital security industry in the Philippines, as Securemetric Group plans to expand its current office in the Philippines.

2 INTRODUCTION TO THE DIGITAL SECURITY INDUSTRY

There is a growing awareness of the importance of digital security with the increasing dependency on Information Technology ("IT") usage in our daily activities. IT refers to the usage of computers, networking, software and other equipment to manage information.

Organisations ranging from government agencies to business organisations are increasingly hosting large amounts of digital data on their servers, much of which is sensitive data including information about personnel and proprietary knowledge. The need to access this data in real-time, either onsite or offsite, has driven the usage of web-based management systems and applications, Internet-enabled mobile devices, wireless networks, social and peer-to-peer networks, cloud computing and virtual networks. The increasing integration of IT solutions into corporations and business as well as Government operations and infrastructure has created a complex environment of interdependencies.

All of this digital data is highly susceptible to threats such as virus attacks, espionage and digital identity theft as increasingly large amounts of hacking and malicious software is being written and released into the Internet. Digital security threats may either be targeted, whereby the perpetrator attacks a specific individual/ organisation, or automated, whereby a random vulnerable individual/ network is attacked. As a result of these threats, organisations invest in digital security solutions and systems to effectively defend their networks, servers and user devices at all times.

However, as important as it may seem, digital security solution adoption is often not a top priority for many organisations. For example, when a new business is established, priority is often placed in investing in hiring, purchasing/production of goods/services, adoption of accounting systems and purchases of computers and software to operate the business. The urgency to have adequate protection for the organisations' data as well as computer hardware and software is often overlooked. Only as digital security threats continue to evolve, will the urgency to adopt digital security solutions increase.

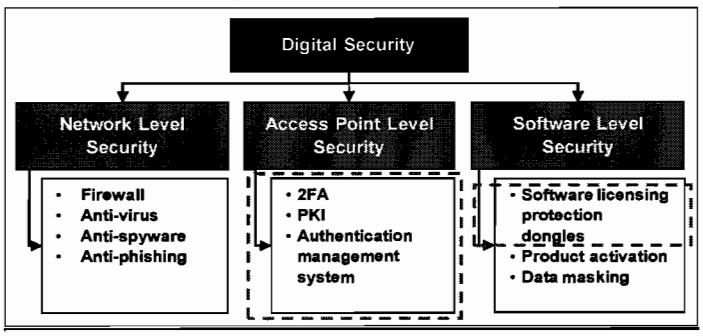
As with the IT industry in general, the digital security industry is undergoing continuous technological development, with increasing levels of sophistication and scale of digital threats and attacks. Digital threats

and attacks have evolved from password guessing, hijacking of user accounts, creation and usage of viruses to invade and hack into computers, organisations, websites or systems, to increasing in volume of attack coordination targeting high-value organisations such as Government organisations and financial institutions.

Therefore, it is critical that proper digital security measures be in place at different levels of the IT infrastructure to deter, mitigate or minimise risks, vulnerabilities, threats or attacks to digital data, electronic devices and networks. Digital security solution providers who are able to provide their customers with the relevant solutions will also help to generate greater awareness and sense of urgency among their customers to adopt digital security solutions.

The digital security industry can be broadly segmented into three categories, namely network level security, access point level security and software level security.

Segmentation of Digital Security Industry



Notes:

- *The examples in the chart are not exhaustive.*
- *[- - - - -] denotes the segments in which Securemetric Group is involved in, amongst other business activities.*

Source: SMITH ZANDER

Network Level Security

Network level security provides perimeter protection to a network that connects electronic devices to the internet or intranet, from external attacks such as malicious software (i.e. viruses, spywares and ransomware) and hackers.

Network level security provides protection to the hardware and software within the network. It is important to prevent unauthorised access, extraction or alteration of important information from a network of electronic devices, such as a company's servers and storage devices. It also stops malicious software from entering or spreading in the network. Some examples of network level security are firewall, anti-virus, anti-spyware and anti-phishing.

Access Point Level Security

Access point level security provides protection to individual access points connected to a network by authenticating the identity of the access points and encrypting the transmitted information between access points. Access points can be in the form of a user/person, an electronic device (i.e. computer or mobile device) or a server. Authentication of access points is a process to verify the identity of the user, electronic device or server which is transmitting and receiving information. This is to ensure one access point knows that the other access point is who it claims to be. Access point level security is generally adopted by organisations with large amounts of private and sensitive digital data, such as Government agencies, financial institutions, data centres, and telecommunication operators. Some of the examples of access point security are 2FA, PKI and authentication management system.

Below are some of the examples of the implementation of access point level security tools:

- **2FA**
  2FA is widely used in the banking industry, especially for online banking platforms. The first authentication level is when the user logs into the online banking website with their username and password. The second level of authentication is triggered when the user wants to perform a transaction within the account. With the additional required authentication the user is protected from the risk of unauthorised transactions in the event that the user's username and password are compromised.
- **PKI**
  With the enforcement of passport standards by the International Civil Aviation Organisation ("ICAO"), there has been a global shift to move towards e-passports which contain an electronic chip that stores the personal information printed on the passport's data page, as well as other biometric information and biometric identifiers.

  In Malaysia, as an initiative to align Malaysian passports to the ICAO standard, the Government has adopted PKI in e-passports for authentication of identities and biometric information stored in the e-

passport for strong border control. Similar PKI technology for passports has been implemented in the United States, the United Kingdom, Taiwan, Singapore, Ireland, Slovakia, Croatia, Slovenia, New Zealand, Canada and Finland. The implementation of PKI in e-passports ensures that the transmission of personal information through the machine and central database is encrypted and highly secured.

Software Level Security

Software level security provides protection to software by preventing unauthorised access, copy, imitation and distribution of software. Software level security is important to protect the code, design and sensitive data within the software. It also protects against reverse-engineering of intellectual property embedded in the software. Software level security is most commonly adopted by software developers and organisations who need to protect their data and software against risk of compromising critical and confidential information. Some of the examples of software level security are software licensing protection dongles and data masking.

3 SOFTWARE LICENSING PROTECTION DONGLES, 2FA, PKI AND AUTHENTICATION MANAGEMENT SYSTEM MARKETS IN SEA

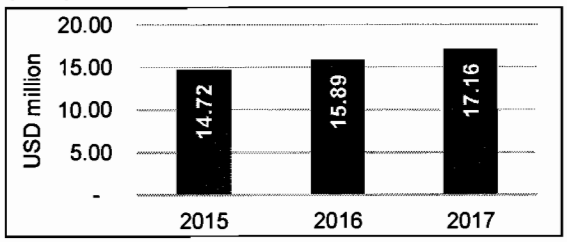
Market Performance, Size and Growth

Software licensing protection dongles

The software licensing protection dongles market in SEA grew from USD14.72 million (RM57.52 million[1]) in 2015 to USD17.16 million (RM73.80 million[2]) in 2017, registering a Compound Annual Growth Rate ("CAGR") of 7.97% during the period.

SMITH ZANDER forecasts the software licensing protection dongles market in SEA to increase from USD17.16 million (RM73.80 million) in 2017 to USD21.32 million (RM91.70 million[3]) in 2020, at a CAGR of 7.50% during the period.

Software licensing protection dongle sales (SEA), 2015 to 2017



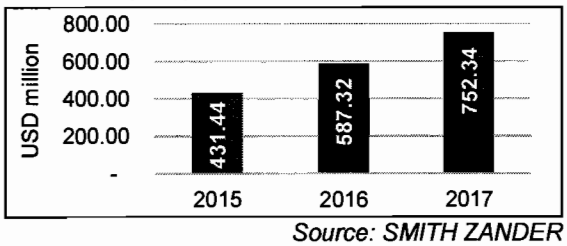
Source: SMITH ZANDER

2FA

The 2FA market in SEA grew from USD431.44 million (RM1,685.76 million) in 2015 to USD752.34 million (RM3,235.66 million) in 2017, registering a CAGR of 32.05% during the period.

SMITH ZANDER forecasts the 2FA market in SEA to increase from USD752.34 million (RM3,235.66 million) in 2017 to USD1,584.52 million (RM6,814.70 million) in 2020, at a CAGR of 28.18% during the period.

2FA sales (SEA), 2015 to 2017



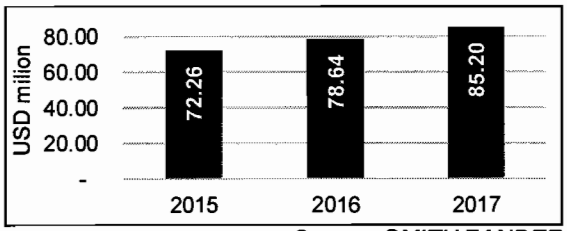
Source: SMITH ZANDER

PKI

The PKI market in SEA grew from USD72.26 million (RM282.34 million) in 2015 to USD85.20 million (RM366.43 million) in 2017, registering a CAGR of 8.59% during the period.

SMITH ZANDER forecasts the PKI market in SEA to increase from USD85.20 million (RM366.43 million) in 2017 to USD107.71 million (RM463.24 million) in 2020, at a CAGR of 8.13% during the period.

PKI sales (SEA), 2015 to 2017



Source: SMITH ZANDER

[1] *Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1=RM3.9073*

[2] *Exchange rate from USD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at USD1=RM4.3008*

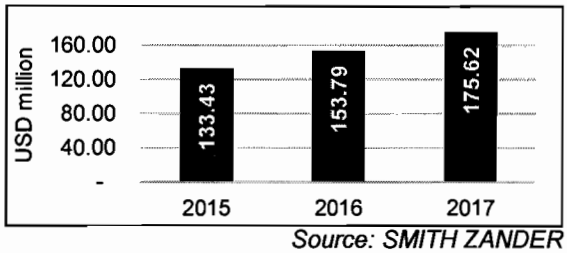
[3] *Exchange rate from USD to RM in 2020 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at USD1=RM4.3008*

Authentication management system

The authentication management system market in SEA grew from USD133.43 million (RM521.35 million) in 2015 to USD175.62 million (RM755.31 million) in 2017, registering a CAGR of 14.73% during the period.

SMITH ZANDER forecasts the authentication management system market in SEA to increase from USD175.62 million (RM755.31 million) in 2017 to USD259.54 million (RM1,116.23 million) in 2020, at a CAGR of 13.91% during the period.

Authentication management system sales (SEA), 2015 to 2017



Source: SMITH ZANDER

Key Demand Conditions: Market Drivers

Government initiatives will encourage the usage of digital security products

Many countries in the SEA market have recognised the importance of IT in spurring the development of a nation by driving efficiency. Many governments have launched national initiatives to increase IT development within the public sector, raise awareness of the importance of adequate adoption of digital security solutions and improve the competitiveness of digital security solutions provided by local industry players. In driving the integration of IT in government and enterprise operations, the digital security solutions industry would benefit from these initiatives taken in the IT sector. Below are some of the initiatives taken by selected SEA countries:

Malaysia

- Information Communication Technology ("ICT") Strategic Plan (2016 – 2020) aims to align the use of technology with the business direction of the public sector, focusing on improving the productivity and efficiency of the operations and services offered by the public sector[4].
- Digitalisation of Government services allows the public to have access to Government services in a more efficient and convenient manner. Some of the electronic services introduced by the Government of Malaysia includes e-Perolehan, myIDENTITY and e-Filing[5].
- The Malaysia Common Criteria Evaluation and Certification (MyCC) Scheme was established under the 9th Malaysian Plan to increase Malaysia's competitiveness in quality assurance of digital security based on Common Criteria standards and to build consumers' confidence in Malaysian information security products[6].

The Philippines

- National Cybersecurity Plan 2022 aims to provide recommendations on policies that will have impact on the digitalisation of Government transactions and formulate guidelines that will include the protection of electronic documents in transit, at rest, or during processing using cryptography to ensure the integrity and authenticity of the documents processed during Government transactions[7].
- E-Government Master Plan's Integrated Government Philippines ("iGovPhil") program aims to interconnect all the Government agencies to improve online coordination among the Government agencies to enhance the quality of its services to the public.

  As part of the security measures to ensure the confidentiality and integrity of information stored in iGovPhil, the Philippine National Public Key Infrastructure (PNPKI) was introduced as a key security feature to ensure all digital communications within the Government system under the iGovPhil program are authenticated and secured[8].

Vietnam

- National PKI System enables customers of E-Government services to access a range of Government services electronically using a single electronic identity[9].
- Circular No.35/2016/TT-NHNN was released by the State Bank of Vietnam on November 2016 on Security and Confidentiality in the Provision of Banking Services on the Internet.

[4] *Source: Malaysian Administrative Modernisation and Management Planning Unit*
[5] *Source: Ministry of Finance, myIDENTITY, Inland Revenue Board of Malaysia*
[6] *Source: Cyber Security Malaysia*
[7] *Source: Republic of the Philippines – Department of Information and Communications Technology*
[8] *Source: Integrated Government Philippines Program*
[9] *Source: Ministry of Information and Communications of the Socialist Republic of Vietnam*

This regulation sets out four specific limits on online transactions whereby transactions with a higher value require a more secure form of authentication. Authentication comes in multiple forms from short message services ("SMS"), one time password ("OTP") to PKI which provides the highest form of authentication and security. Effective from 1 January 2019, all banks and financial institutions in Vietnam are required to apply different authentication methods according to the transaction value[10].

- Electronic Identity-based Service Delivery Framework, a pilot project by The Government of Vietnam on a new National Identity System to implement unique identification numbers for identifying and authenticating residents for Government service delivery[11].

Singapore

- One of the key initiatives under Singapore's Cybersecurity Strategy include strengthening the resilience of Critical Information Infrastructures for essential public services such as emergency services, e-Government, banking and finance, utilities, transport and healthcare. Actions to be taken include enhancing capability to respond to cyber threats, strengthening cybersecurity governance and legislative framework and making Government systems more secure[12].
- Under the Singapore Budget 2017, the Government of Singapore revealed that SG$2.4 billion will be set aside as the budget for technology development. The key focuses of the budget are on digital & data, cybersecurity and Smart Nation applications[13].

Thailand

- One of the 15 strategies under the 2017 Budget is "integrating the digital economy", where several actions are planned to adopt technology or digital solutions into daily businesses. THB2 billion was allocated to the Ministry of Digital Economy and Society to upgrade telecom infrastructure; and THB33.69 million was allocated to the Ministry of Commerce to ensure more small and medium enterprises ("SMEs") embrace the digital economy[14].
- The Digital Government Plan 2017-2021 aims to broaden digital usage in all sectors, i.e. government, agriculture, tourism, education, medical and disaster prevention[15].
- The Digital Economy and Society Development Plan is a 20-year plan led by the Ministry of Digital Economy and Society to transform Thailand into "Digital Thailand".

  Six strategies were developed under this plan with a focus on building high-capacity digital infrastructure nationwide, increasing the usage of digital technology in all sectors, and in enhancing the level of digital security to ensure technology infrastructure and network are safe[16].
- The National e-Payment Master Plan includes the implementation of an eTax system whereby the submission of tax documents, tax payments and tax refunds can be done online; and the introduction of an electronic social welfare and government ePayment system that aims to upgrade government financial transactions from traditional cash to electronic form[17].

Indonesia

- Go Digital Vision 2020 aims to make Indonesia the largest digital economy in SEA by 2020. Under this vision, multiple programs have been proposed such as programs to create 1,000 technology-based entrepreneurs, to get 1 million farmers and fishermen to be involved in business digitalisation by selling and promoting their products online, and to achieve USD130 billion worth of electronic commerce ("e-commerce") transactions by 2020[18].
- Roadmap e-Government 2016-2019 lays out the development plans for an integrated e-Government system with the aim to realise the nation's goal towards becoming a digital society by 2030[19].

Increasing digitalisation of data leading to higher susceptibility to security threats

With the widespread adoption of IT, many organisations in the private and public sectors are integrating IT into their routine business operations, for more effective management of resources and increased productivity. Organisations today store large amounts of data in their IT systems, including personal information, financial information, military information, intellectual property and sensitive proprietary

[10] *Source: State Bank of Vietnam*
[11] *Source: Worldbank*
[12] *Source: Cyber Security Agency of Singapore*
[13] *Source: Ministry of Finance Singapore*
[14] *Source: Bureau of the Budget, Thailand*
[15] *Source: Electronic Government Agency of Thailand*
[16] *Source: Ministry of Digital Economy and Society*
[17] *Source: Ministry of Finance Thailand*
[18] *Source: Ministry of Foreign Affairs - Republic of Indonesia, Digital News Asia*
[19] *Source: Ministry of Communication and Information Technology – Republic of Indonesia*

information, amongst others. Any security attacks to an organisation's IT systems could bring about harmful consequences and may cause failure in their business operations and reputational damage. Hence, these organisations cannot afford to have breaches in the security of their IT systems.

Organisations must ensure that their database systems are not breached by security threats, which could lead to the leakage of sensitive data. Many countries in SEA have enacted guidelines and directives in relation to data privacy and protection for the purpose of protecting individuals and placing accountability on organisations to ensure proper management of data. Hence, there is now an even more compelling reason for organisations to ensure that their IT systems are comprehensively secured to avoid any digital attacks. This benefits the digital security solutions industry as organisations look at implementing appropriate digital security measures to protect organisational data and IT infrastructure from digital threats.

Growth in the adoption of internet of things ("IoT") technology

IoT is the interconnectivity between human and devices to exchange information and knowledge. These devices have the ability to connect to the Internet, also known as "smart devices" and includes everyday items such as mobile phones, computers, lights and watches, as well as non-everyday items such as airplanes and machines. These smart devices are fitted with sensors that collects data, which are then analysed to produce useful information. This information in combination with human knowledge, will enhance human intelligence, productivity and efficiency, thereby enhancing the quality of life and promoting economic growth.

The adoption of IoT technology is driven by various factors, such as the growth in the usage of mobile phones, greater access to broadband internet, growth in the sales of sensors and the reduction in price of sensors, as well as availability of new wireless technologies. The demand for IoT technology and the awareness of the importance of secure internet connection will boost the demand for digital security.

4 COMPETITIVE LANDSCAPE OF THE DIGITAL SECURITY SOLUTIONS INDUSTRY IN MALAYSIA, VIETNAM AND THE PHILIPPINES

Malaysia

The competitive landscape of the digital security solutions industry in Malaysia comprises local and foreign companies:

- **Foreign companies**

  Foreign digital security solutions industry players include global digital security solutions providers such as Symantec Corporation ("Symantec"), Ezmcom Inc, VASCO Data Security International ("Vasco"), Gemalto N.V. ("Gemalto") and Thales e-Security, Inc. ("Thales").

  These foreign digital security solutions industry players may set up their own locally incorporated companies in Malaysia to support their sales and marketing activities and provision of technical support to their local clients. For example, Symantec Corporation (M) Sdn. Bhd. is the locally incorporated company of Symantec, and Eighth Intuition Sdn Bhd, is the locally incorporated company of Ezmcom Inc.

  Foreign digital security solutions industry players may also distribute their products and services through appointed local distributors. These distributors may also provide technical support to their customers.

- **Local companies**

  Local digital security solutions industry players consist of players who have their own products, solutions and brands, as well as distributors of foreign brands.

  Examples of local digital security solutions industry players who have their own products, solutions and brands are Securemetric Group, Simple Advantage Sdn Bhd, i-Sprint Innovations Sdn Bhd and Intellego Solutions Sdn Bhd. Some of these companies also distribute third party products sourced from foreign brands.

  Examples of local digital security solutions industry players who distribute foreign digital security solutions brands are Software Exc (M) Sdn Bhd, a local distributor for Symantec's software licensing protection dongles; Pacific Intech Distribution Sdn Bhd, a local distributor for Vasco's 2FA and Thales' hardware security module (hardware for PKI solution); Blue Fortress Sdn Bhd, a local distributor for Gemalto's 2FA; and Augmented Technology Sdn Bhd, a local distributor for Gemalto's PKI.

Key industry players in Malaysia

Securemetric Group is based in Malaysia and derive its revenue mainly from the provision of digital security solutions comprising software licensing protection dongles, 2FA, PKI and authentication management system solutions. Therefore, the closest comparable companies to Securemetric Group are identified in this report based on the following:

- companies incorporated in Malaysia; and
- these companies are involved in the development, sale and trading of software licensing protection dongles, 2FA, PKI and/or authentication management system, amongst other business activities.

The following sets out the latest available revenues of the industry players which are the closest comparable companies to Securemetric Group:

Company	Example of digital security products and solutions	Latest Available Financial Year	Revenue (RM million)
MIMOS Berhad	2FA, PKI and authentication management system	31 December 2016	34.42
Securemetric Group	2FA, PKI, authentication management system and software licensing protection dongles	31 December 2017	44.77
Pacific Intech Distribution Sdn Bhd	2FA and PKI	31 March 2017	16.73
Eighth Intuition Sdn Bhd	2FA, PKI and authentication management system	31 December 2016	11.14
Blue Fortress Sdn Bhd	2FA and authentication management system	30 June 2017	8.72
Symantec Corporation (M) Sdn Bhd	2FA and PKI	31 March 2017	5.20
Intellego Solutions Sdn Bhd	2FA, PKI and authentication management system	31 October 2017	4.73
Software Exc (M) Sdn Bhd	Software licensing protection dongles	30 June 2017	2.65
Augmented Technology Sdn Bhd	PKI	28 February 2017	8.95
i-Sprint Innovations Sdn Bhd	2FA	31 December 2017	4.71
Simple Advantage Sdn Bhd	PKI	31 December 2016	1.65

Notes:

- *This list is not exhaustive.*
- *Latest available figures as at 25 September 2018.*

Source: Various company websites, Companies Commission of Malaysia ("CCM"), SMITH ZANDER

The latest revenue of the industry players listed above are extracted as per their respective latest available audited financial statements. The revenue may include revenue derived from businesses other than software licensing protection dongles, 2FA, PKI and authentication management system solutions; and revenue derived from outside Malaysia. This is due to differing segmental revenue definitions of industry players and the segmental revenue information for these industry players are not publicly available and are also not available in their respective latest available audited financial statements.

Vietnam

The competitive landscape in Vietnam is largely dominated by foreign digital security solutions providers. Generally, these players establish their presence in Vietnam either by setting up their own locally incorporated companies or representative offices, or by establishing partnerships with local companies who are either distributors or system integrators.

- **Foreign companies**

  Foreign digital security solutions industry players in Vietnam include global digital security solutions providers such as Gemalto, GlobalSign Group ("GlobalSign"), Thales and VeriSign, Inc. ("VeriSign").

  These foreign digital security solutions industry players may set up their own locally incorporated companies or representative offices in Vietnam to support their sales and marketing activities and/ or to provide technical support to their local clients. For example, Gemalto has a representative office in Hanoi.

  Foreign digital security solutions industry players may also distribute their products and services through appointed local distributors or system integrators. These distributors may also provide technical support to their clients.

- **Local companies**

  Local digital security solutions industry players in Vietnam consist primarily of companies who are distributors or system integrators of foreign brands. Examples of local digital security solutions industry players who are distributors or system integrators of foreign digital security solutions brands are Vietnam Digital Signature Authentication Corporation, a public certification authority ("CA") of Vietnam, which has a partnership with GlobalSign; Hung Phat Investment Development Corporation, a local distributor/ system integrator for Thales; and VietUnion Online Services Corporation, a payment service provider licensed by the State Bank of Vietnam who has a partnership with VeriSign.

Philippines

The competitive landscape in the Philippines is largely dominated by foreign digital security solutions providers. These players establish their presence in the Philippines either by setting up their own locally incorporated companies or representative offices, or by establishing partnerships with local companies who are either distributors or system integrators.

- **Foreign companies**

  Foreign digital security solutions industry players in the Philippines include global digital security solutions providers such as Aircuve Inc. ("Aircuve"), Gemalto, GlobalSign, Netrust Pte Ltd ("Netrust"), and Symantec.

  These foreign digital security solutions industry players may set up their own locally incorporated companies or representative offices in the Philippines to support their sales and marketing activities and/ or to provide technical support to their local clients. For example, Gemalto has a representative office in Makati City and Laguna; GMO GlobalSign Inc is the locally incorporated company of GlobalSign; and Netrust Philippines Corporation is the locally incorporated company of Netrust.

  Foreign digital security solutions industry players may also distribute their products and services through appointed local distributors or system integrators. These distributors and system integrators may also provide technical support to their customers.

- **Local companies**

  Local digital security solutions industry players in the Philippines consist primarily of companies who are distributors or system integrators of foreign brands. Examples of local digital security solutions industry players who are distributors or system integrators of foreign digital security solutions brands are APTSecure Technologies Inc., a distributor/ system integrator for Aircuve; Information Technology Security Distribution, Inc., a distributor/ system integrator for Gemalto and Symantec; as well as companies who are distributors/ system integrators of Symantec's brands such as, amongst others, Creative Infosolutions, Inc., M-Security Tech Philippines Inc., Nexus Technologies, Inc., Shellsoft Technology Corporation, and Trends & Technologies, Inc..

Market share

In order to compute the market share of Securemetric Group in Malaysia, the market size for digital security solutions in Malaysia is required for the computation. As the market size for digital security solutions in Malaysia could not be derived and is not publicly available, the market share of Securemetric Group in Malaysia could not be computed.

To derive the market size for digital security solutions in Malaysia, the revenue generated by local and foreign digital security solutions industry players in Malaysia has to be taken into consideration. The revenue generated by the local digital security solutions industry players (i.e. the closest comparable locally incorporated industry players in Malaysia) can be derived from their latest available audited accounts. However, there are foreign digital security solutions industry players, those with or without locally incorporated companies and/or local distributors, who may participate directly in digital security solution projects in Malaysia via their foreign-owned entities. In such cases, the revenue generated by these foreign digital security solutions industry players are directed back to their foreign-owned entities and are not captured by any locally incorporated companies and/or local distributors in Malaysia. Without the revenue generated by these foreign digital security solutions industry players, there is insufficient information to derive the market size for digital security solutions in Malaysia.

Further, there is no publicly available and/or published information on the market size for digital security solutions in Malaysia. While the market size of the overall IT market in Malaysia is publicly available, the market size for digital security solutions in Malaysia, which is a sub-segment of the IT market, is not publicly available.

5 ELECTRONIC IDENTIFICATION MARKET IN SEA

Overview

Electronic identification is adopted across a wide range of industries, including financial services, manufacturing, logistics, retail, food and beverage, transportation and agriculture industries. Electronic identification technology reduces the need for manual tracking and recording, and includes smart cards, Radio-Frequency Identification ("RFID"), barcodes and biometric identification.

A smart card is a pocket-sized card with an embedded chip to store, process and transfer information. The embedded chip functions as a memory chip or a microprocessor with security features to protect the data stored in the chip. Smart cards are often used in applications that require secure transactions and fast transfer of information from the card to the reader, such as access control cards, bank cards and identification cards.

RFID allows contactless identification at a relatively further distance between the RFID tag and reader as compared to other electronic identification technology. It is commonly used in logistics and tracking of moving objects. For example, RFID tags attached to boxes for inventory tracking, heavy duty RFID tags attached to shipping containers, heavy machinery, trucks and trains for tracking purposes, ricegrain-sized RFID tags fitted under an animal's skin for livestock tracking and anti-theft hard plastic tags containing RFID chips attached to store merchandise to prevent shoplifting.

A barcode is a printed set of lines and spaces, sometimes with a set of numbers. The printing on the barcode is unique and it is used to label items for identification and tracking purposes. As barcode readers require a direct line of sight to the printed barcode, tracking a large quantity of items individually with barcodes can be time consuming.

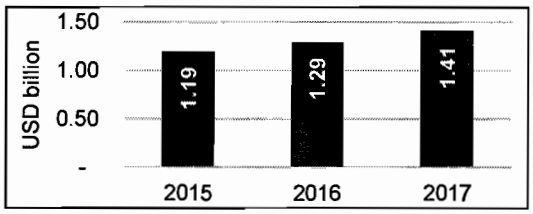
Biometric identification is used to authenticate a person's identity through unique identification of an individual's biological traits, for example fingerprints, face geometry as well as retina and iris patterns. Examples of biometric identification application are in identification cards and in electronic passports where fingerprint data is stored for identification purposes.

Market Performance, Size and Growth

The electronics identification market in SEA, represented by the total sales of smart cards, RFIDs, barcode printers and readers, and biometric identification, grew from USD1.19 billion (RM4.65 billion) in 2015 to USD1.41 billion (RM6.06 billion) in 2017 at a CAGR of 8.85%.

SMITH ZANDER forecasts the electronic identification market in SEA to increase from USD1.41 billion (RM6.06 billion) in 2017 to USD1.82 billion (RM7.83 billion) in 2020, at a CAGR of 8.88% during the period.

Electronic identification sales (SEA), 2015-2017



Source: SMITH ZANDER

Key Demand Conditions: Market Drivers

Government initiatives will encourage the usage of electronic identification

Governments in many SEA countries have recognised the importance of technology in spurring the development of a nation by driving efficiency. These countries have adopted electronic identification technology in national identification, immigration, financial services and toll road systems. As the Governments in the SEA countries continue to introduce measures to improve and enhance public services and national infrastructure through digitalisation, electronic identification as a supporting sector will benefit from these initiatives. Below are some of the initiatives taken by selected SEA countries:

Malaysia

- To encourage the country's migration towards e-payment as an aspiration to become a cheque-less economy and to reduce dependence on cash transactions, Bank Negara Malaysia introduced a lower and more transparent fee structure under its Payment Card Reform Framework in 2015, which contributed to the expansion in the number of point of sale terminals. The reduction in the average merchant discount rates for accepting debit cards by up to 28% for domestic brand debit card networks and up to 25% for the international brand debit card networks, is expected to improve the acceptance level of debit card by merchants and further increase debit card usage moving forward[20].

[20] *Source: Bank Negara Malaysia*

The Philippines

- The Philippines House of Representatives had in September 2017 approved a bill for the implementation of a National Identification System. This system aims to create a unified national identification system in the country. A national identification card to be issued under this system will contain personal information and biometric information of an individual and could be used to facilitate banking transactions and public services[21].

Vietnam

- The scheme on the development of non-cash payments in Vietnam (2016 – 2020) led by the State Bank of Vietnam aims to reduce cash payments by promoting the use of electronic payments through card payments and online payments. Some of the measures include increasing the number of point of sale terminals, promoting the use of electronic payments in e-commerce and in Government sectors[22].

Indonesia

- The national electronic identity card, also known as Kartu Tanda Penduduk Elektronik (e-KTP) was launched in 2012 to issue new identity cards to Indonesian citizens. This identity card uses contactless smart card technology and contains biometric identification[23].
- Implementation of a national standard for chip technology and 6-digit personal identity number ("PIN") technology for all automated teller machines ("ATM") and/or debit cards by Bank Indonesia, as part of its ongoing effort to mitigate fraud and align ATM and debit card standards in Indonesia, requires all users to replace their ATM and debit cards with new cards which are compliant to the new technologies. Effective 1 January 2022, all domestic ATM and/or debit card transactions are required to use cards with national standard of chip technology, and by 1 July 2017, 6-digit PINs must be used for all domestic ATM and/or debit card transactions instead of 4-digit PINs[24].
- Bank Indonesia and the Ministry of Public Works and Public Housing on May 2017, signed an agreement to cooperate on the expansion of electronic toll roads system nationwide. Electronic cards will be used for toll payment instead of cash[25].

Growth in the end user sectors drives demand for electronic identification products

Electronic identification products are widely used across various sectors, such as the financial services, manufacturing, logistics and retail sectors. Electronic identification helps businesses to improve operational efficiency and to remain competitive. In the financial sector, smart cards are used as ATM, debit and credit cards for payment transactions and biometric identification is used for a higher level of security to authenticate an account holder's identity at the bank. Between 2015 to 2017, the gross domestic product ("GDP") from the financial sector grew at a CAGR of 3.09% in Malaysia, at 7.78% in the Philippines, at 8.14% in Vietnam and at 7.18% in Indonesia.

RFID tags and barcodes are widely used for inventory tracking and management in the manufacturing sector. Electronic identification is an important part of inventory management as it helps to reduce manual processes and reduce the reliance on manpower as labour intensive tasks can be carried out faster and more effectively. Smart cards are also used as access control in manufacturing facilities to prevent unauthorised personnel accessing restricted areas. Between 2015 to 2017, the GDP from the manufacturing sector grew at a CAGR of 5.22% in Malaysia, at 7.71% in the Philippines, at 14.40% in Vietnam and at 4.26% in Indonesia.

In logistics, electronic identification is essential for tracking of goods and vehicles. Between 2015 to 2017, the GDP from the logistics sector grew at a CAGR of 5.97% in Malaysia, at 4.65% in the Philippines, at 7.91% in Vietnam and at 7.97% in Indonesia.

Electronic identification has wide applications in retail, for example, barcodes are used for tracking of goods, RFID tags are used for inventory tracking and to prevent shoplifting and smart cards are used as payment cards, gift cards and loyalty program cards. Between 2015 to 2017, the GDP from the retail sector grew at a CAGR of 8.26% in Malaysia, at 7.49% in the Philippines, at 8.36% in Vietnam and at 4.23% in Indonesia.

The demand for electronic identification products is expected to grow to support the growth of these sectors.

[21] *Source: Republic of the Philippines – House of Representatives*
[22] *Source: The State Bank of Vietnam*
[23] *Source: ANTARA News*
[24] *Source: Bank Indonesia*
[25] *Source: Bank Indonesia*

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

7.1 Promoters and substantial shareholders

7.1.1 Profiles of Promoters and substantial shareholders

The profiles of our Promoters are as follows:

(i) **Law Seeh Key,** a Malaysian, age 46, is our Promoter and controlling shareholder. He is also our Non-Independent Executive Director and Chief Executive Officer.

He was appointed to our Board on 2 February 2018. He is responsible for the overall strategic direction of Securemetric companies while overseeing business development activities especially on strategic projects and partnerships. He has over 20 years of experience in the ICT and digital security industry.

He graduated with a degree in Bachelor of Science in Information System from Campbell University, North Carolina, United States of America in July 1996.

He began his career with IBI Systems (M) Sdn Bhd in October 1996 as a Business Development Manager. He was responsible for setting up and managing computer retail chain outlets as well as leading the company's sales division. In February 2001, he left IBI System (M) Sdn Bhd and co-founded Softkey Malaysia, where he was responsible for leading and managing its overall business operations and strategic direction.

In January 2007, he co-founded Securemetric Malaysia and assumed the role of Chief Executive Officer.

Section 7.2.3 of this Prospectus contains details of Law Seeh Key's directorships and business activities performed outside our Group.

(ii) **Nioo Yu Siong,** a Malaysian, age 44, is our Promoter and Chief Operating Officer. He is responsible for our internal operations, including production planning, procurement, inventory management and logistics.

He graduated with a Diploma in Computer Engineering from Institut Teknologi Pertama, Kuala Lumpur in December 1995.

He began his career with Computer Zone Sdn Bhd in May 1996, as a computer technician responsible for the assembly and repair of computers. In March 1997, he left Computer Zone Sdn Bhd to join PC Partners (Johor) Sdn Bhd, a subsidiary of IBI Systems, as an Assistant Technical Manager. He led technical teams to provide on-site maintenance service, repair and assembly of new computers as well as the set-up of cybercafés through the provision of computer, network cabling and management systems. In April 2000, he left PC Partners (Johor) Sdn Bhd to join IBI Systems (M) Sdn Bhd as the Technical Manager responsible for overseeing technical teams located at company headquarters and branches. In March 2003, he left IBI Systems (M) Sdn Bhd to join Softkey Malaysia as Operations Manager responsible for overall internal operations.

In January 2007, he co-founded Securemetric Malaysia and assumed the position of Chief Operating Officer.

Section 7.4.3 of this Prospectus contains details of Nioo Yu Siong's directorships and business activities performed outside our Group.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) **Yong Kim Fui**, a Malaysian, age 46, is our Promoter. He is also our Non-Independent Executive Director and Chief Financial Officer.

He was appointed to our Board on 2 February 2018. He is responsible for planning, implementing, managing and controlling financial and related activities for our Group.

He graduated with a Bachelor of Commerce from University of Southern Queensland, Australia in September 1996. He obtained his Certified Practicing Accountant (CPA), Australia status from The Australian Society of Certified Practising Accountants (now known as CPA Australia) in March 2000 and became a Chartered Accountant with the Malaysian Institute of Accountants in June 2001.

He began his career with Coopers & Lybrand (now known as PricewaterhouseCoopers) as an auditor in January 1995. He specialised in finance and manufacturing sectors, and was involved in corporate restructuring, review of financial statements and projections for bonds and other debt instruments, initial public offerings and investigations. In August 2000, he left PricewaterhouseCoopers. In September 2000, he co-founded and took up the positions of Principal and Director in KYL Consulting Sdn Bhd, which provided accounting, taxation and advisory services. He was also involved in tax investigations, reviews of profit and cashflow forecasts and projections for corporate restructuring, reviews of financial statements for debt facilities and bonds, and refund of sales taxes.

He acted as a financial advisor to Securemetric Malaysia from January 2010 to December 2016 in order to strengthen our Group's finance function during the period. Prior to this, our Group's daily finance-related matters, including book-keeping and financial tasks, were the responsibilities of only a finance executive and an accounts clerk, with Law Seeh Key in an overseeing role. He was involved in overseeing the financial preparation process and issuance of financial information, tax, budgeting and capital planning, implementation of standard operating standards for the finance division, and the implementation of ISO 9001 and ISO 10002 for Securemetric Group. He was also involved in assisting our Group to obtain a grant from the Ministry of Science, Technology and Innovation. In December 2016, he left KYL Consulting Sdn Bhd and joined our Group as Chief Financial Officer in January 2017.

As at the LPD, he is an Independent Director of G3 Global Berhad *(formerly known as Yen Global Berhad)* (since 29 January 2016), which is listed on the Main Market of Bursa Securities. **Section 7.2.3** of this Prospectus contains details of Yong Kim Fui's directorships and business activities performed outside our Group.

(iv) **Li Jianjun**, a Chinese, age 44, is our Promoter.

He began his career with Beijing Dingheng Cultural Development Centre as an office clerk in July 1997 and was responsible for contacting publishing houses for book publication issues. He left the company in August 2001. In September 2001, he joined Beijing Jiuzhou Shuyuan Books Co., Ltd as an Assistant Manager, where he was responsible in providing assistance in book publications. He left Beijing Jiuzhou Shuyuan Books Co., Ltd on November 2006. In December 2006, he joined Beijing Tiandi Zhidian Business Gift Design and Development Co., Ltd as sales manager responsible for sales promotion and product development. He left the company in June 2012 and in the same month, joined Beijing Tiandi Zhidian Technology Ltd (a sales monitoring equipment provider which does not have similar principal activity as our Group) as a sales manager, a position which he still holds today. He is currently responsible for sales promotion and product development of Beijing Tiandi Zhidian Technology Ltd. There is no conflict of interest as a result of his role in Beijing Tiandi Zhidian Technology Ltd and as a Promoter of Securemetric. Li Jianjun was referred to Law Seeh Key through a mutual friend. He does not have any relationship with the Promoters, substantial shareholders or Directors.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.1.2 Shareholdings

The direct and indirect shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

Name	Designation	Nationality	Before IPO				After IPO			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Law Seeh Key	Chief Executive Officer, Director, substantial shareholder and Promoter	Malaysian	126,337,605	*71.95*	-	-	126,337,605	*51.87*	-	-
Nioo Yu Siong	Chief Operating Officer, substantial shareholder and Promoter	Malaysian	22,587,895	*12.86*	-	-	22,587,895	*9.27*	-	-
Yong Kim Fui	Chief Financial Officer, Director, substantial shareholder and Promoter	Malaysian	14,662,500	*8.35*	-	-	14,662,500	*6.02*	-	-
Li Jianjun	Promoter	Chinese	12,012,000	*6.84*	-	-	12,012,000	*4.93*	-	-

Notes:

(1) Based on the enlarged number of issued shares of 175,600,000 Securemetric Shares after the Restructuring.

(2) Based on the enlarged number of issued shares of 243,600,000 Securemetric Shares after our IPO.

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.1.3 Changes in the Promoters' and substantial shareholders' shareholdings in our Company

Save as disclosed below, there are no other changes in the shareholdings of our Promoters and substantial shareholders in our Company since its incorporation on 6 June 2017 as well as before and after our IPO:

	As at 6 June 2017 (date of incorporation)				Before IPO / As at the LPD				After IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%	No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Law Seeh Key	-	-	-	-	126,337,605	*71.95*	-	-	126,337,605	*51.87*	-	-
Nioo Yu Siong	-	-	-	-	22,587,895	*12.86*	-	-	22,587,895	*9.27*	-	-
Yong Kim Fui	-	-	-	-	14,662,500	*8.35*	-	-	14,662,500	*6.02*	-	-
Li Jianjun	-	-	-	-	12,012,000	*6.84*	-	-	12,012,000	*4.93*	-	-

Notes:

(1) Based on the enlarged number of issued Shares of 175,600,000 Securemetric Shares after the Restructuring.

(2) Based on the enlarged number of issued Shares of 243,600,000 Securemetric Shares after our IPO.

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.1.4 Voting rights of substantial shareholders and promoters in our Company

The substantial shareholders and promoters do not have different voting rights from the other shareholders in our Company.

7.2 Directors

Our Board believe that our current Board composition provides the appropriate balance in terms of skills, knowledge, experience and gender diversity to promote the interests of all shareholders and to govern our Group effectively. In adopting gender diversity, steps are taken to ensure female candidates are sought in the Company's recruitment exercise for Board representation purposes and the Company ensures that both genders are represented on its Board.

7.2.1 Profiles

As at the LPD, our Board comprises 5 members, 2 of whom are Non-Independent Executive Directors and 3 are Independent Non-Executive Directors.

Name	Age	Gender	Date of appointment	Designation
Clifton Heath Fernandez	46	Male	2 February 2018	Independent Non-Executive Chairman
Shireen Chia Yin Ting	44	Female	2 February 2018	Independent Non-Executive Director
Mohamad Rizatuddin Noor Bin Mohamed Ramli	47	Male	2 February 2018	Independent Non-Executive Director
Law Seeh Key	46	Male	2 February 2018	Non-Independent Executive Director / Chief Executive Officer
Yong Kim Fui	46	Male	2 February 2018	Non-Independent Executive Director / Chief Financial Officer

The profiles of our Directors and chief executives are as follows:

(i) **Clifton Heath Fernandez**, a Malaysian, age 46, is our Independent Non-Executive Chairman. He was appointed to our Board on 2 February 2018.

In June 1996, he passed his Foundation Stage Examinations from the Malaysian Institute of Accountants. He has since obtained several other professional qualifications and admitted as a:

- Certified Accounting Technician by Association of Chartered Certified Accountants in April 1998,
- Member of the Malaysian Institute of Human Resource Management in October 2001,
- Member of the Malaysian Institute of Management in February 2002,
- Associate Member of the Institute of Quality Malaysia in October 2002,
- Member of The Association of Credit Management Malaysia in January 2004,
- Chartered Member of The Institute of Internal Auditors Malaysia in April 2004,
- Associate of the Chartered Quality Institute in April 2011,
- Fellow of the Association of Chartered Certified Accountants in December 2014, and
- Member of the Malaysian Institute of Accountants in December 2017.

He began his career with TCMK Associates as an Audit, Accounting and Tax Trainee in March 1995. During his tenure with TCMK Associates, he was responsible for providing audit, taxation, accounting and management services to clients from construction, engineering and other services related industries.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In September 1998, he joined CEL Tractors Sdn Bhd as an Assistant Accountant, and was subsequently promoted to Human Resources, Accounts and Administration Manager in January 1999. He was responsible for developing and implementing policies and control procedures for the company. He also acted as the company's internal auditor for its Malaysian operations. He was the chair person for the credit control committee.

In November 2000, he joined QMI-Quest Sdn Bhd as a Senior Manager of Finance and Administration. He was responsible for cash management, credit control, foreign exchange control, and banking and tax matters for the company's operations in Asia as well as conducting training and consultancy activities in the area of standards and improvements.

In July 2002, he joined Quality Management Excellence Sdn Bhd as a Project Manager, Consultant and Lead Auditor. He was responsible for conducting training, consultancy and independent compliance audit services in the areas of finance, management, human resources and quality for his clients.

In January 2007, he co-founded RCERT (SEA) Sdn Bhd, a representative office of Royalcert International Registrar in the SEA region. The company was set up to provide certification services under Royalcert International Registrar as the certification body.

In July 2007, he joined Resorts World Berhad (now known as Genting Malaysia Berhad) as a Manager of Hotel Planning. He was responsible for business process re-engineering where he analysed and designed organisational business processes, business process management and process improvement activities in the company's IT planning, finance, accounting, human resources, casino and hotel operations divisions.

In March 2009, he joined Galaxy Entertainment Group Ltd as the Senior Manager of Projects and Compliance. He was responsible for strategising and scheduling implementation plans, monitoring milestones and task deliverables for the owner's gaming resort as well as for the partner's hotels, namely Okura Nikko Hotels and Banyan Tree Hotels and Resorts.

In January 2011, he joined Star Cruises (HK) Limited as a Senior Manager in Human Resources & Administration. He was the project lead for the human resources information system. He was also the Audit Lead representative for the human resources functional audit compliance, international safety management shipping standard audits and internal control review and audits.

In January 2012, he joined Venetian Orient Limited as a Senior Manager of IT Project and Compliance for Sheraton Macao Hotel and St. Regis Hotel Macao. His served as a liaison between the business unit and the IT unit in planning and coordinating systems analysis, design and implementation on projects to automate processing or improve business systems.

In September 2013, he left Venetian Orient Limited and resumed his role as the Managing Director of RCERT (SEA) Sdn Bhd. He is currently involved in the facilitation of standards and improvement programs for the company.

Clifton Heath Fernandez became acquainted with Law Seeh Key due to the provision of ISO services by RCERT (SEA) Sdn Bhd to certain Securemetric companies.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) **Shireen Chia Yin Ting**, a Malaysian, age 44, is our Independent Non-Executive Director. She was appointed to our Board on 2 February 2018.

She graduated with a Bachelor of Arts in Accounting and Finance from Middlesex University, United Kingdom in July 1996. In September 2003, she was certified as a Chartered Accountant by the Malaysian Institute of Accountants.

She started her career with Coopers & Lybrand (now known as PricewaterhouseCoopers) as an Audit Assistant in November 1996. She was responsible for assisting Senior Associates and Managers in audit assignments. In December 1999, she was promoted to Senior Associate and was responsible for the audit of medium and large-sized organisations, specialising in manufacturing and insurance sectors.

In May 2000, she left PricewaterhouseCoopers to join Xybase Technologies Sdn Bhd, a software solution provider as a Project Manager. She was responsible for developing concepts and business structure and identifying revenue streams for the company's electronic portal division.

In August 2001, she left Xybase Technologies Sdn Bhd to join Tune Air Sdn Bhd as a Management Accountant. As one of the pioneer staff, she was responsible for developing a business plan and feasibility study for the acquisition of AirAsia Sdn Bhd.

In December 2001, she was transferred to AirAsia Sdn Bhd as a Management Accountant after the acquisition of AirAsia Sdn Bhd by Tune Air Sdn Bhd. She was responsible for the company's budget exercise. She was involved in the listing exercise of AirAsia Berhad and was responsible for assisting the Chief Financial Officer in the due diligence exercise. Her scope of work for the due diligence exercise included providing financial documents and information for the prospectus and for the listing submission, preparation of pro forma balance sheets, forecasts and projections. In January 2004, she was promoted to Regional Management Accountant of AirAsia Berhad. She was responsible for overseeing management accounting related matters and supporting the streamlining of cost structure for the company's operations in Malaysia, Thailand and Indonesia. In November 2006, she was promoted to Regional Director of Procurement and Efficiency. She was responsible for leading the centralised procurement function of the company's operations in Malaysia, Thailand and Indonesia, including the purchase of aircraft spares, food and beverages, merchandises, duty free products and general office products. In January 2009, she was promoted to the Group Head of Catering and Inflight Business and was responsible for overseeing the overall catering and supply chain operation of the company.

She left AirAsia Berhad in January 2013 and in April 2013, she joined Malaysia Marine and Heavy Engineering Sdn Bhd as the General Manager Business Optimisation of the Offshore Business Unit. She led the development of various business process changes and launched improvement programs to upgrade business procedures. She left the company in August 2014.

Between September 2014 and December 2014, she was planning and preparing to set up her own advisory business. In January 2015, she founded SCG Advisory Services to provide consultation services focusing on assisting start-up companies in reorganising corporate structure and business processes. SCG Advisory Services is also involved in guiding senior management to create annual budgets and projections.

In April 2015, as part of her consultation service, she joined Tune Hotels Regional Services Sdn Bhd as Group Chief Financial Officer to lead a cost reduction exercise for the company. She was responsible for resizing and reorganising the finance, human resources, legal and procurement departments. She left the company upon the successful completion of the cost reduction exercise in November 2015. In April 2016, as part of her consultation service, she joined MIG Mobile Tech Berhad as the General Manager of Corporate Planning to facilitate the setting up of the business and operation as well as to oversee the finance department. She left the company in October 2016 and continues to provide consultation services through SCG Advisory Services to clients. As at the LPD, she is the sole employee of SCG Advisory Services.

Shireen Chia Yin Ting was referred to Law Seeh Key as a candidate for Independent Director, by Yong Kim Fui. Shireen Chia Yin Ting and Yong Kim Fui were colleagues at Coopers & Lybrand (now known as PricewaterhouseCoopers) between 1996 and 2000.

(iii) **Mohamad Rizatuddin Noor Bin Mohamed Ramli**, a Malaysian, age 47, is our Independent Non-Executive Director. He was appointed to our Board on 2 February 2018.

He graduated with a Bachelor of Science in Computer Information System and Operation from Indiana University, Bloomington, USA in December 1993. In July 2017, he obtained his Masters in Finance from Taylor's University Lakeside Subang Jaya. He has 23 years of experience in strategic consulting, business development, technical marketing and advisory services.

He began his career with Intel Technology Sdn Bhd as Systems Analyst in January 1994 and was responsible for the design and maintenance of various business applications of the company, development and implementation of relational database for clients, site maintenance and system troubleshooting.

In January 1995, he joined Dataprep Open Systems (Asia Pacific) Sdn Bhd as an Application Software Consultant and was responsible for providing consultancy and support services for enterprise resource planning packages for small to medium size companies.

In June 1996, he joined Oracle Systems Malaysia Sdn Bhd as an Associate Product Consultant and was responsible for the marketing, pre-sales and sales support of the company's products as well as the development of proposals and project consultancy. In August 1998, he was promoted to Business Development Manager and was Oracle's business development person for Malaysia's Multimedia Super Corridor Flagship initiatives, focusing on Telemedicine development and Electronic Government Product Management Office and Human Resource Information System projects.

In November 1998, he joined Multimedia Development Corporation Sdn Bhd (now known as Malaysian Digital Economy Corporation Sdn Bhd) as an Account Manager and was responsible for evaluating the investment propositions of technical companies to obtain the MSC status. In April 2000, he was promoted to Manager and was responsible for evaluating the R&D and grant schemes applications of the technical companies. In March 2002, he was promoted to Senior Manager and was responsible for evaluating the R&D and grant schemes applications, managing R&D funds and the production of creative contents. In January 2007, he was promoted to General Manager and was involved in the development of cluster strategies, product marketing, portfolio management and branding of MSC Malaysia. During his tenure with Multimedia Development Corporation Sdn Bhd, he was also seconded to MOSTI from March 2004 to February 2006 as a Special Officer to MOSTI Minister. He was responsible for developing new ICT and biotechnology policies and strategic undertakings of the Ministry.

In September 2010, he joined the Special Innovation Unit of the Prime Minister's Office as an Executive Vice President. He was responsible for Malaysia's first Census of Intellectual Property as a baseline for the country's innovation efforts. In October 2011, he joined Malaysian Bio-XCell Sdn Bhd as the CEO and Director and was responsible for overseeing the overall development of the biotechnology park for biopharmaceutical and industrial biotechnology in Nusajaya Iskandar, Malaysia. In September 2015, he left Bio-XCell Sdn Bhd and took a short break before enrolling in the Masters of Finance course in Taylor's University, beginning November 2015.

While pursuing his Masters course, he joined Pinnacle Perintis Sdn Bhd as a part-time Senior Consultant in February 2016. He acted as an external advisor and project consultant to Johor Corporation where he assisted in formulating strategies and developmental plans for business structures and governance as well as the creation of new ICT-based projects.

In January 2018, he joined Kumpulan Perbadanan Johor Sdn Bhd (a wholly-owned subsidiary of Johor Corporation) as a General Manager with the responsibility of leading a team to develop innovative products and services for Johor Corporation.

Mohamad Rizatuddin Noor Bin Mohamed Ramli was referred to Law Seeh Key as a candidate for Independent Director, by a mutual friend.

(iv) **Law Seeh Key**

The profile of Law Seeh Key is set out in **Section 7.1.1** of this Prospectus.

(v) **Yong Kim Fui**

The profile of Yong Kim Fui is set out in **Section 7.1.1** of this Prospectus.

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7.2.2 Particulars and Shareholdings

The direct and indirect shareholdings of our Directors in our Company, before and after our IPO, are as follows:

Name	Designation	Nationality	Before IPO / As at the LPD				After IPO			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Clifton Heath Fernandez	Independent Non-Executive Chairman	Malaysian	-	-	-	-	-	-	-	-
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer	Malaysian	126,337,605	*71.95*	-	-	126,337,605	*51.87*	-	-
Yong Kim Fui	Non-Independent Executive Director / Chief Financial Officer	Malaysian	14,662,500	*8.35*	-	-	14,662,500	*6.02*	-	-
Shireen Chia Yin Ting	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-
Mohamad Rizatuddin Noor Bin Mohamed Ramli	Independent Non-Executive Director	Malaysian	-	-	-	-	-	-	-	-

Notes:

(1) Based on the enlarged number of issued shares of 175,600,000 Securemetric Shares after the Restructuring.

(2) Based on the enlarged number of issued shares of 243,600,000 Securemetric Shares after our IPO.

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.2.3 Principal business activities performed outside our Group

Save as disclosed below, none of our Directors has any directorship or business activity performed outside our Group at present and in the last 5 years prior to the LPD:

Director	Companies	Principal activities	Nature of interest or involvement	Date of appointment	Date of resignation	Effective shareholding as at the LPD (%)
Shireen Chia Yin Ting	**Present** SCG Advisory Services	Provision of consultancy and advisory services including training and business consulting services such as cost-reduction exercises, cost management and business process improvement programs.	Chief Executive Officer	15 December 2014	-	100
	Past Tune Hotels Capital Sdn Bhd(1)	Investment holding. In the process of winding up.	Director	18 June 2015	1 December 2015	-
	Tune Hotels IP Sdn Bhd(1)	Dormant. In the process of winding up.	Director	18 June 2015	1 December 2015	-
	Tune Hotels Real Estate Sdn Bhd(1)	Dormant. In the process of winding up.	Director	18 June 2015	1 December 2015	-
	Tune Hotels 2 Sdn Bhd	Dormant.	Director	18 June 2015	1 December 2015	-
	THI Sdn Bhd(1)	Construction, management and operation of hotel. In the process of winding up.	Director	18 June 2015	1 December 2015	-

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Director	Companies	Principal activities	Nature of interest or involvement	Date of appointment	Date of resignation	Effective shareholding as at the LPD (%)
Clifton Heath Fernandez	**Present** Analabs Resources Berhad	Investment holding and provision of management services. Its subsidiaries are principally involved in: i) Manufacturing, formulation and sale of resins, chemicals and building materials; ii) Recovery and sale of recycled products; iii) Culture and sale of prawns; iv) Investment holding and property letting; and v) Contract work, pipe laying and rehabilitation.	Independent Non-Executive Director	16 February 2016	-	-
	RCERT (SEA) Sdn Bhd	Training and certification services, research and organise programmes in International Standards for Organisations ("**ISO**") standards and improvements.	Managing Director and controlling shareholder	1 December 2011	-	50
	Past Klinik Fernandez Sdn Bhd	Dissolved.	Director	10 February 2012	-	-
	Schnells International Sdn Bhd	Dormant.	Director and shareholder	14 August 2014	29 April 2017	-

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Director	Companies	Principal activities	Nature of interest or involvement	Date of appointment	Date of resignation	Effective shareholding as at the LPD (%)
Mohamad Rizatuddin Noor Bin Mohamed Ramli	**Present** Nashata Lifestyle Sdn Bhd	Trading in sportswear for Muslim women	Director and shareholder	11 June 2013	-	24.999
Law Seeh Key	**Present** Softkey Malaysia[2]	Trading and supplying digital security devices and solutions. In the process of being struck off.	Director and controlling shareholder	28 February 2001	-	85
	Past Numerical Venture Sdn Bhd (**"Numerical Venture"**)	Dormant. It was incorporated with the intended principal activity of investment holding.	Director and controlling shareholder	11 March 2016	28 February 2018	-
	Flipbox Secure Sdn Bhd	Information technology services.	Director and controlling shareholder	29 September 2016	15 December 2016	-
	JAG Berhad	Investment holding and engaged in the business of computer software development, maintenance and support services.	Senior Independent Non-Executive Director	13 October 2010	16 June 2014	-

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Director	Companies	Principal activities	Nature of interest or involvement	Date of appointment	Date of resignation	Effective shareholding as at the LPD (%)
Yong Kim Fui	**Present** G3 Global Berhad *(formerly known as Yen Global Berhad)*	Principally involved in investment holding with its subsidiary companies principally involved in the provision of services relating to specialised treatment and finishing process of jeanswear, and marketing, distributing and retailing of jeanswear, footwear, ready-made clothing, handbags and other fashion apparels as well as distribution of ICT products and services, and products offering Internet of Things (IOT) related solutions and services.	Independent Non-Executive Director	29 January 2016	-	-
	Past KYL Consulting Sdn Bhd	Providing computer related services, accounting and consultancy services	Director	15 September 2000	30 September 2016	-

Notes:

(1) Shireen Chia Yin Ting has resigned as a director from these companies and as such, she is unaware of the definite/estimated timeframe to complete the winding up process for these companies.

(2) An application to strike off Softkey Malaysia has been submitted to the CCM by the director of the said company on 11 September 2017. The application is being processed by CCM. Upon being struck off, the name of Softkey Malaysia will be gazetted and thereafter deemed dissolved pursuant to Section 551 (3) of the Act. There is no definite time frame for the entire process as is it dependent on the processing time by CCM.

Clifton Heath Fernandez is presently an Independent Non-Executive Director of Analabs Resources Berhad. He is not involved in the day-to-day operations of Analabs Resources Berhad, and his involvement is only to the extent of attending meetings and discharging his responsibilities as an Independent Director. As the Managing Director of RCERT (SEA) Sdn Bhd, he is presently involved in the training and consultancy business. His involvements with these companies are not expected to affect his ability to discharge his responsibilities as our Independent Non-Executive Chairman.

Law Seeh Key, as our Non-Independent Executive Director is not presently involved in any business activity outside the Group, as Softkey Malaysia is in the process of being struck off.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Yong Kim Fui, as our Non-Independent Executive Director is not presently involved in any business activity outside the Group. As the Independent Director of G3 Global Berhad, he is not involved in its day-to-day operations. His involvement is only to the extent of attending meetings and discharging his responsibilities as an independent director, which has not and will not affect his contributions and commitment to our Group. The principal activities of G3 Global Berhad are not in competition with the principal activities of our Group. G3 Global Berhad through its subsidiary, Atilze Digital Sdn Bhd, provides IOT-related solutions and services such as Connected Car Solutions, Advanced Driver Assistance Systems (ADAS), Smart intelligent city, Smart Agriculture and aquaculture, Smart living home and D'Home smart services. These IOT-related solutions and services are not similar to our Group's principal activities.

Shireen Chia Yin Ting is presently the Chief Executive Officer of SCG Advisory Services which provides consultation services. Our Group does not have any interest or relationship nor any transaction with SCG Advisory Services. She is not presently a director of any other company nor is she involved in any other business which would affect her ability to discharge her responsibilities as our Independent Non-Executive Director.

Mohamad Rizatuddin Noor Bin Mohamed Ramli is presently a director and shareholder in Nashata Lifestyle Sdn Bhd, which trades in sportswear for Muslim women. His involvement in the business is not expected to affect his ability to discharge his responsibilities as our Independent Non-Executive Director.

Notwithstanding the above, our Audit Committee will review any existing or potential conflict of interest situation whenever declared or brought to the attention of the Audit Committee and the Directors of our Company will disclose such conflicts of interest situations, if any, for resolutions as and when they arise.

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.2.4 Board practices

Directors' term of office

Our Board is entrusted with the responsibility for the overall direction, strategy, performance and management of our Group. The number of years that our Directors have served in office and the date of expiration of their respective term of office are set out below:

Name	Age	Designation	Date of appointment	Date of expiration of the current term of office	No. of year(s) in office
Clifton Heath Fernandez	46	Independent Non-Executive Chairman	2 February 2018	Annual general meeting in 2018	Less than 1
Law Seeh Key	46	Non-Independent Executive Director / Chief Executive Officer	2 February 2018	Annual general meeting in 2018	Less than 1
Yong Kim Fui	46	Non-Independent Executive Director / Chief Financial Officer	2 February 2018	Annual general meeting in 2018	Less than 1
Shireen Chia Yin Ting	44	Independent Non-Executive Director	2 February 2018	Annual general meeting in 2018	Less than 1
Mohamad Rizatuddin Noor Bin Mohamed Ramli	47	Independent Non-Executive Director	2 February 2018	Annual general meeting in 2018	Less than 1

Pursuant to our Constitution, at the first annual general meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, 1/3 of our Directors for the time being, or, if their number is not a multiple of 3, the nearest 1/3 with minimum of 1, shall retire from office and an election of Director shall take place at each annual general meeting of the Company. Each Director shall eligible retire once in every 3 years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting. The Directors to retire in each year shall be those who have been longest in office since their last election or appointment. For Directors who became or were last re-elected Directors on the same day, the Directors to retire shall be determined by lot (unless they agree otherwise between themselves). The Directors shall have power at any time from time, to appoint, subject to recommendation by the Nomination Committee and the approval by the Board, any person to be a Director, either to fill a casual vacancy or as an additional Director to the existing Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with this Constitution. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are retire by rotation at such meeting.

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.3 Audit, risk management, remuneration and nomination committees

7.3.1 Audit Committee

The composition of our Audit Committee is set out below:

Name	Designation	Directorship
Shireen Chia Yin Ting	Chairperson	Independent Non-Executive Director
Clifton Heath Fernandez	Member	Independent Non-Executive Chairman
Mohamad Rizatuddin Noor Bin Mohamed Ramli	Member	Independent Non-Executive Director

The main function of our Audit Committee is to assist our Board in fulling its responsibility to oversee our Group's accounting and financial reporting matters. The Audit Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

(a) to review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;

(b) to review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on any changes in or implementation of major accounting policies and practice, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;

(c) to review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;

(d) to consider the major findings and internal investigations and management's response; and

(e) to perform such other functions as may be requested by our Board.

The recommendations of our Audit Committee are subject to approval of our Board.

7.3.2 Risk Management Committee

The composition of our Risk Management Committee is set out below:

Name	Designation	Directorship / Designation
Clifton Heath Fernandez	Chairman	Independent Non-Executive Chairman
Shireen Chia Yin Ting	Member	Independent Non-Executive Director
Yong Kim Fui	Member	Non-Independent Executive Director
Nioo Yu Siong	Member	Chief Operating Officer

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Our Board has the overall responsibility for risk oversight and risk management within our Group. However, as a committee of our Board, our Risk Management Committee shall lead our strategic direction in the management of our business risks, 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 not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management.

The objectives of the framework are to ensure the provision of quality products and solutions and monitor the risk culture and processes throughout our Group to take advantage of opportunities while managing risks that may adversely affect our reputation and achievement of business objectives.

The duties and responsibilities as stated in the terms of reference of our Risk Management Committee include the following:

(a) to oversee and recommend the risk management policies and procedures of our Group;

(b) to review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which addresses the strategic, operational, financial and compliance risks;

(c) to implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;

(d) to set reporting guidelines for management to report to the committee on the effectiveness of our Group's management of its business risks;

(e) to review the risk profile of our Group including all our subsidiaries and to evaluate the measures taken to mitigate the business risks; and

(f) to review the adequacy of management response to issues identified in risk registers, ensuring that our risks are managed within our Group's risk appetite.

The recommendations of our Risk Management Committee are subject to approval of our Board.

7.3.3 Remuneration Committee

The composition of our Remuneration Committee is set out below:

Name	Designation	Directorship
Shireen Chia Yin Ting	Chairperson	Independent Non-Executive Director
Clifton Heath Fernandez	Member	Independent Non-Executive Chairman
Mohamad Rizatuddin Noor Bin Mohamed Ramli	Member	Independent Non-Executive Director

Our Remuneration Committee's term of reference includes, amongst others, the following:

(i) to review and recommend to our Board the remuneration packages of our Non-Independent Executive Directors and if applicable, senior management, which should be aligned with the business strategy and long-term objectives of our Company. Any member of the Committee who is a Non-Independent Executive Director must not participate in the deliberation and in any decision on his/her own remuneration;

(ii) to review annually the performance of our Directors and recommend to our Board specific adjustments in remuneration and/or reward payments to be passed at a general meeting;

(iii) to formulate policies, guidelines and set criteria for remuneration packages for our Directors and to ensure that our Directors are fairly and appropriately remunerated according to the general market sentiments or conditions;

(iv) to review and recommend to our Board the compensation payable to our Directors in connection with any loss or termination of their office or appointment or arrangements relating to dismissal or removal for misconduct and to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for our Company; and

(v) to ensure that all remuneration packages and benefits given to the Directors are in compliance with the laws, rules, requirements, regulations and guidelines set by the relevant authorities and our Board from time to time.

The determination of the remuneration package of our Non-Executive Directors is by our Board as a whole and the Director concerned should abstain from discussing or deliberating his/her own remuneration.

7.3.4 Nomination Committee

The composition of our Nomination Committee is set out below:

Name	Designation	Directorship
Mohamad Rizatuddin Noor Bin Mohamed Ramli	Chairman	Independent Non-Executive Director
Clifton Heath Fernandez	Member	Independent Non-Executive Chairman
Shireen Chia Yin Ting	Member	Independent Non-Executive Director

Our Nomination Committee's term of reference includes, amongst others, the following:

(i) to assess and recommend to our Board, nominees for directorships and committee members, having regard to their competencies, expertise, experience, potential conflict of interests, commitment, contribution and performance;

(ii) to assess and evaluate, on an annual basis, or as required, the desirability of the overall composition of our Board and the balance amongst executive, non-executive and independent directors;

(iii) to establish a mechanism for annual assessment on the performance and effectiveness of our Board as a whole and the contribution of each Director to the performance of our Company. Such annual assessment should be based on objective performance criteria, which is in line with established key performance indicators, as approved by our Board;

(iv) to recommend and ensure that our Board receives appropriate continuous training in order to maintain an adequate level of competency and to effectively discharge their roles as our Directors; and

(v) to oversee the appointment, management succession planning and performance evaluation of our Board and committees.

7.3.5 Remuneration and Material Benefits-in-kind

The remuneration of our Directors, which includes salaries, bonuses, fees and allowances as well as other benefits, must be recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees must be further approved by our shareholders in a general meeting.

There have been no amounts and benefits that have been or are intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

No remuneration and material benefits-in-kind (including any contingent or deferred compensation accrued for the year) were paid for FYE 31 December 2017 to our Directors and chief executives as the Board members were appointed on 2 February 2018, which is after FYE 31 December 2017.

The remuneration and material benefits-in-kind (including any contingent or deferred compensation accrued for the year) proposed to be paid for FYE 31 December 2018 to our Directors and chief executives are as follows:

FYE 31 December 2018	Estimated					
Directors	Fee RM'000	Salary RM'000	Bonus RM'000	Meeting allowance RM'000	Other emoluments RM'000	Total RM'000
Law Seeh Key	84	516	-	-	-	600
Yong Kim Fui	84	339	-	-	-	423
Clifton Heath Fernandez	42	-	-	-	-	42
Shireen Chia Yin Ting	36	-	-	-	-	36
Mohamad Rizatuddin Noor Bin Mohamed Ramli	36	-	-	-	-	36

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.4 Key senior management and key technical personnel

7.4.1 Profiles of our key senior management

Our key senior management is responsible for the day-to-day management and operations of our Group. As at the LPD, the members of our key senior management team are as follows:

Name	Designation
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer
Yong Kim Fui	Non-Independent Executive Director / Chief Financial Officer
Nioo Yu Siong	Chief Operating Officer
Yee Wen Biau	Vice President of Engineering
Mohd Affendi Bin Abdul Razak	Vice President of Project Sales
Yen Chee Khan	Vice President of Product Sales
Tan Yu Win	Vice President of Project Management and Support

The profiles of our key senior management are as follows:

(i) **Law Seeh Key**

The profile of Law Seeh Key is set out in **Section 7.1.1** of this Prospectus.

(ii) **Yong Kim Fui**

The profile of Yong Kim Fui is set out in **Section 7.1.1** of this Prospectus.

(iii) **Nioo Yu Siong**

The profile of Nioo Yu Siong is set out in **Section 7.1.1** of this Prospectus.

(iv) **Yee Wen Biau,** a Malaysian, age 35, is our Vice President of Engineering. He is responsible for our overall product and project development from planning, development of products and solutions, testing, installation and implementation.

He graduated with a Bachelor of Science in Computing from Staffordshire University, England in April 2005. In March 2011, he received his qualification and was admitted as a member under EC-Council Certified Secure Programmer from EC-Council and in November 2015, he received his certification for completing the Certified Information System Security Professional course conducted by AKATI Consulting (M) Sdn Bhd.

He started his career with Dayhol Sdn Bhd as a System Engineer in April 2005. He was responsible for software development, network maintenance and system support. In February 2006, he joined Chung Ching Middle School as an IT technician and Computer Teacher. He left in October 2006 to join Mach Telecommunications Systems Sdn Bhd as a Software Engineer. In February 2010, he left Mach Telecommunications Systems Sdn Bhd to join Securemetric Malaysia as a Senior Software Engineer. He was responsible for system analysis and design, system development, hardware integration with HSM and PKI tokens, and setup and maintenance of PKI systems. In January 2014, he was promoted to Software Development Manager and was subsequently promoted to our Group's Vice President of Engineering in January 2017.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(v) **Mohd Affendi Bin Abdul Razak,** a Malaysian, age 44, is our Vice President of Project Sales. He is responsible for our Group's overall project sales, supervising the project sales team, identifying potential customers and maintaining contact with existing customers.

He graduated with a Bachelor of Science in Computer Engineering from the University of Hartford, Connecticut, USA in January 2000. He is a Microsoft Certified Professional.

In May 2000, he joined MSCTrustgate.com Sdn Bhd as a PKI Consultant where he was responsible in providing technical consultancies focusing in PKI technology and cryptography solution. In November 2006, he was promoted to Head of Technical and was responsible for managing the technical, operation and project development team. In January 2010, he was promoted to Chief Technology Officer where his responsibilities include conducting research, developing strategies and plans to identify new project development. He was also tasked with ensuring effective internal communication with the sales, operation and project development team.

In May 2015, he left MSCTrustgate.com Sdn Bhd and took up freelance jobs such as preparing technical proposals and providing technical advices before joining Securemetric Malaysia in August 2015 as Vice President of Project Sales.

(vi) **Yen Chee Khan**, a Malaysian, age 38, is our Vice President of Product Sales. He is responsible for the strategic planning and coordination with each country's managers and team members for the sales and marketing of our Group's products, leading and managing our Group's product sales team, and sourcing for new products.

He graduated with a Diploma in Commerce and Administration Majoring in Accounting from New Era College, Malaysia in December 2002. In March 2003, he joined Ye Chiu Metal Smelting Berhad as a Management Trainee in the Product Sourcing Department where he assisted in sourcing for raw materials.

In September 2003, he left Ye Chiu Metal Smelting Berhad and joined Softkey Malaysia as an Assistant Product Manager where he was responsible for the sales and marketing of ICT security products and coordinating with branches for stocks and technical specification requirement gathering. In August 2006, he was promoted to become a Senior Product Manager responsible for leading and managing the product sales team to market and distribute ICT security products as well as to take charge of product sourcing. In January 2008, he joined Securemetric Malaysia to lead the Malaysian product sales team and coordinate with each branch's country manager to facilitate product sales. In January 2011, he was promoted to become our Vice President of Product Sales.

(vii) **Tan Yu Win**, a Malaysian, age 39, is our Vice President of Project Management and Support. He is responsible for our Group's project deliveries, pre-sales consultancy and post-sales customer service.

He graduated with a Bachelor of Science (Communication and Information Technology) from Edith Cowan University, Western Australia in October 2003.

In April 2001, he joined MSCTrustgate.com Sdn Bhd as a Software Developer responsible for the analysis, design and development of systems. He implemented an alternative CA system for the company using EJBCA software which allowed the company to target new markets segments. In May 2008, he left MSCTrustgate.com Sdn Bhd and joined SignCharge Sdn Bhd as Vice President of Technology responsible for assisting the company to adopt mobile PKI technology as its core business offering in Malaysia.

In January 2011, he joined SignCharge Ltd (parent company of SignCharge Sdn Bhd) and was based in Beijing, China for 2 years as Chief Technology Officer responsible for the adaptation, integration and implementation of mobile PKI technology for telecommunication companies in Hong Kong, Macau and China.

In January 2014, he left SignCharge Ltd to join Securemetric Malaysia as Vice President of Project Management and Support. In the same year, he obtained a certification for Project Management Professional from Project Management Institute, USA and Project Leadership from PIKOM, Malaysia. Besides overseeing the project management team, he also personally pitched and won 3 overseas PKI projects for our Group.

7.4.2 Profiles of our key technical personnel

Our key technical personnel are responsible for the technical aspects of the products and solutions of our Group. As at the LPD, the members of our key technical team are as follows:

Name	Designation
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer
Yee Wen Biau	Vice President of Engineering
Mohd Affendi Bin Abdul Razak	Vice President of Project Sales
Tan Yu Win	Vice President of Project Management and Support

The profiles of our key technical team are as follows:

(i) **Law Seeh Key**

The profile of Law Seeh Key is set out in **Section 7.1.1** of this Prospectus.

(ii) **Yee Wen Biau**

The profile of Yee Wen Biau is set out in **Section 7.4.1** of this Prospectus.

(iii) **Mohd Affendi Bin Abdul Razak**

The profile of Mohd Affendi Bin Abdul Razak is set out in **Section 7.4.1** of this Prospectus.

(iv) **Tan Yu Win**

The profile of Tan Yu Win is set out in **Section 7.4.1** of this Prospectus.

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7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

The remuneration and material benefits-in-kind (including any contingent or deferred compensation accrued for the year) paid and proposed to be paid to our key senior management and key technical personnel for services rendered in all capacities to our Group for FYE 31 December 2017 and FYE 31 December 2018 are as follows:

	Bands of RM50,000			
FYE 31 December 2018	**Salary RM'000**	**Bonus RM'000**	**Allowance RM'000**	**Total RM'000**
Nioo Yu Siong	201 – 250	0 – 50	-	201 – 250
Yee Wen Biau	151 – 200	0 – 50	0 – 50	151 – 200
Mohd Affendi Bin Abdul Razak	201 – 250	0 – 50	0 – 50	201 – 250
Yen Chee Khan	151 – 200	0 – 50	0 – 50	151 – 200
Tan Yu Win	201 – 250	0 – 50	0 – 50	201 – 250

	Bands of RM50,000			
FYE 31 December 2017	**Salary RM'000**	**Bonus RM'000**	**Allowance RM'000**	**Total RM'000**
Law Seeh Key	251 – 300	0 – 50	-	351 – 400
Yong Kim Fui	151 – 200	0 – 50	-	151 – 200
Nioo Yu Siong	201 – 250	0 – 50	-	201 – 250
Yee Wen Biau	101 – 150	0 – 50	0 – 50	151 – 200
Mohd Affendi Bin Abdul Razak	151 – 200	0 – 50	0 – 50	151 – 200
Yen Chee Khan	151 – 200	0 – 50	0 – 50	201 – 250
Tan Yu Win	151 – 200	0 – 50	0 – 50	201 – 250

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7.4.3 Shareholdings of our key senior management and key technical personnel

The direct and indirect shareholdings of our key senior management and key technical personnel in our Company before and after our IPO are as follows:

Name	Designation	Nationality	Age	Before IPO / As at the LPD				After IPO			
				Direct		Indirect		Direct		Indirect	
				No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[2]	No. of Shares	%[2]
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer	Malaysian	46	126,337,605	*71.95*	-	-	126,337,605	*51.87*	-	-
Yong Kim Fui	Non-Independent Executive Director / Chief Financial Officer	Malaysian	46	14,662,500	*8.35*	-	-	14,662,500	*6.02*	-	-
Nioo Yu Siong	Chief Operating Officer	Malaysian	44	22,587,895	*12.86*	-	-	22,587,895	*9.27*	-	-
Yee Wen Biau	Vice President of Engineering	Malaysian	35	-	-	-	-	70,000	*0.03*	-	-
Mohd Affendi Bin Abdul Razak	Vice President of Project Sales	Malaysian	44	-	-	-	-	60,000	*0.02*	-	-
Yen Chee Khan	Vice President of Product Sales	Malaysian	38	-	-	-	-	70,000	*0.03*	-	-
Tan Yu Win	Vice President of Project Management and Support	Malaysian	39	-	-	-	-	65,000	*0.03*	-	-

Notes:

(1) Based on the enlarged number of issued shares of 175,600,000 Securemetric Shares after the Restructuring.

(2) Based on the enlarged number of issued shares of 243,600,000 Securemetric Shares after our IPO and assuming full subscription of the Shares reserved under the Pink Form Allocations.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.4.4 Involvement of our key senior management in other businesses and corporations outside our Group

Save as disclosed below, none of our key senior management is involved in other businesses or corporations outside our Group at present and in the last 5 years prior to the LPD:

Key senior management	Companies	Principal activities	Nature of involvement	Date of appointment	Date of resignation	Effective shareholding as at the LPD (%)
Nioo Yu Siong	**Present** Softkey Malaysia	Trading and supplying digital security devices and solutions (in the process of being struck off).	Director and shareholder	2 November 2006	-	5
	Past Numerical Venture	Dormant (intended principal activity of investment holding).	Director and controlling shareholder	11 March 2016	28 February 2018	-
	NEP Trading	Internet, computer and accessories sales and services (registration expired on 28 November 2013).	Sole proprietor	-	-	-
	Adkey Sdn Bhd	Engaged in marketing and printing paper products (has been struck off on 8 June 2017).	Director and shareholder	30 August 2006	-	-

Nioo Yu Siong, our Chief Operating Officer, is not presently involved in any business activity outside the Group, as Softkey Malaysia is in the process of being struck off.

Notwithstanding the above, our Audit Committee will review any conflict of interest or potential conflict of interest situations whenever declared or brought to the attention of the Audit Committee and the Directors of our Company will disclose such conflicts of interest situations, if any, for any resolutions as and when they arise.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.5 Declarations from our Promoters, Directors and key senior management

As at the LPD, none of our Promoters, Directors and key senior management is or has been involved in any of the following events (whether in or outside Malaysia):

(i) in the last 10 years, a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation of which he/she was a director of 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 or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding. If convicted, the date must be calculated from the date of conviction or if sentenced to imprisonment, from the date of release from prison;

(iv) in the last 10 years, any judgment, 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, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;

(vi) the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity;

(vii) the subject of 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) whether there is any unsatisfied judgement against him/her.

7.6 Family relationships and/or association

There are no family relationships and/or association between any of our Directors, Promoters, substantial shareholders and key senior management.

7.7 Service agreements

There is no existing or proposed service contract between the Group and its Directors, key senior management or key technical personnel as at the LPD.

7.8 Change in operations

As at the LPD, there is no arrangement the operation of which may at a subsequent date result in a change in control of the Group.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.9 Employees

Category	No. of employees	
	As at 31 December 2017	As at the LPD
Business development	31	28
Operations	14	19
Technology	33	42
Finance and accounts	8	8
Management	7	7
Total	**93**	**104**

Location	No. of employees	
	As at 31 December 2017	As at the LPD
Malaysia	54*	64
Vietnam	12	11
The Philippines	11	11
Indonesia	16	18
Singapore (virtual office)	0	0
Total	**93**	**104**

Note:

* *Inclusive of 51 knowledge workers, representing approximately 94% of Securemetric Malaysia's total number of employees.*

As at the LPD, our Group's workforce has 104 employees, including 7 contractual employees. Malaysians accounted for 55%, with 45% being foreign nationals employed by Securemetric Malaysia and our foreign subsidiaries. All our foreign employees working in Malaysia have valid working permits. Our Group has not been and is not in breach of any immigration laws.

None of our employees, whether permanent or contractual, belong to any trade union and none has any labour relationship with any union. There have been no industrial disputes since we commenced our business. We have not encountered any major turnover in our workforce.

7.10 Management succession plan

Our Board believes that the success of our Group depends on the abilities and retention of our key senior management. Therefore, we have made efforts to train and remunerate our employees accordingly. Our future success will also depend on our ability to attract and retain skilled personnel.

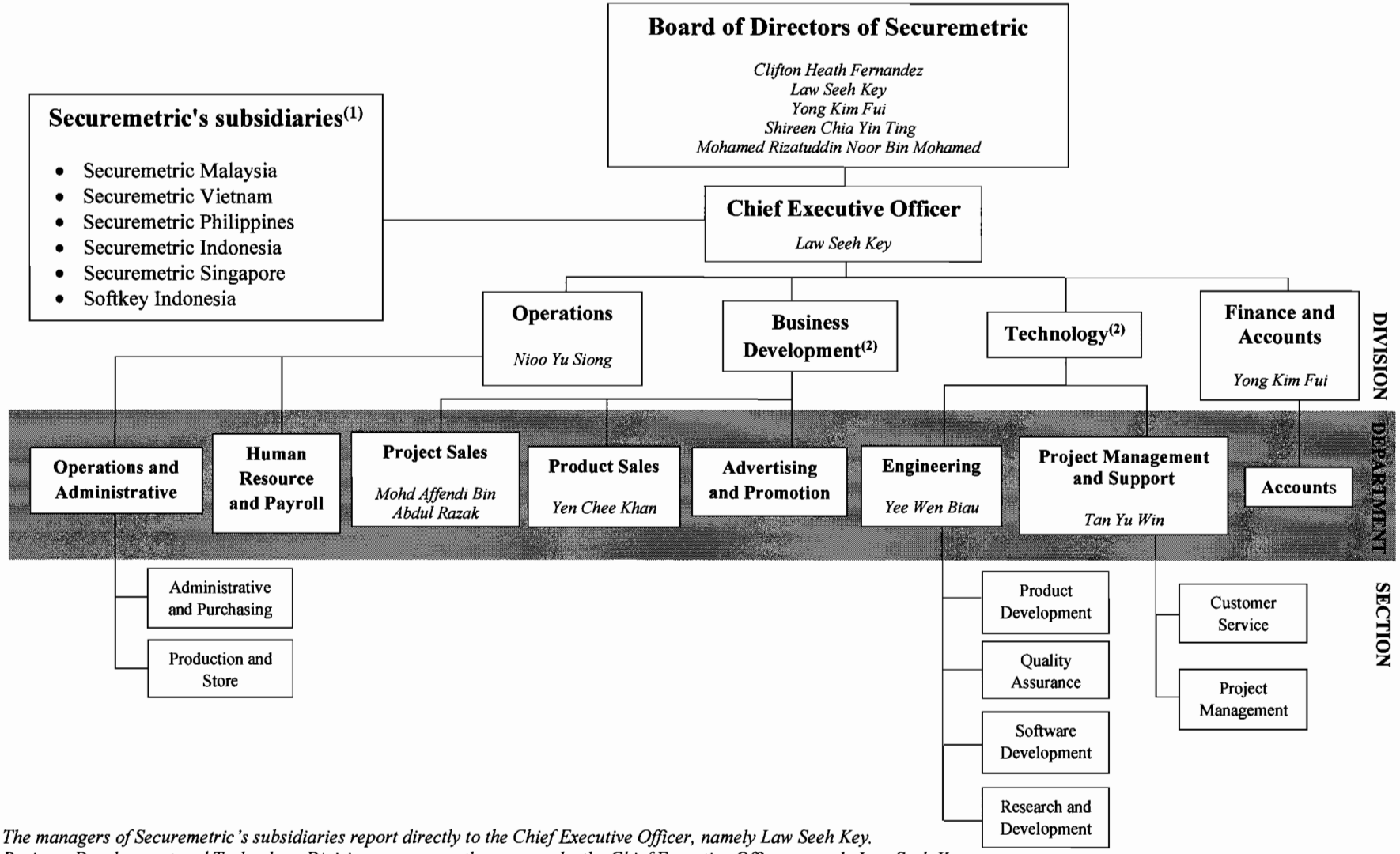
We have a management succession plan consisting of:

(i) selection and recruitment;
(ii) career planning and development; and
(iii) continuous training and education.

As part of our management succession plan, we have put in place a process to groom new management staff to gradually assume the responsibilities of senior management. Our Group's strategy for management continuity is driven by our top management who is responsible for identifying key competencies and requirements of candidates. If the need arises, we will recruit qualified personnel with knowledge and expertise of our business to enhance our operations. We believe that our employees are valuable assets to our Group and we provide the necessary training for their future development.

7. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

7.11 Management reporting structure



Notes:

(1) The managers of Securemetric's subsidiaries report directly to the Chief Executive Officer, namely Law Seeh Key.

(2) Business Development and Technology Divisions are currently overseen by the Chief Executive Officer, namely Law Seeh Key.

8. APPROVALS AND CONDITIONS

8.1 Approvals and conditions

8.1.1 Bursa Securities

Bursa Securities had through its letter dated 4 June 2018 ("**Bursa's Letter**") approved our admission to the Official List of the ACE Market as well as the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities.

The conditions imposed by Bursa Securities pursuant to its approval are as follows:

No.	Conditions imposed	Status of our compliance
1.	Submission of the following information with respect to the moratorium on the shareholdings of the promoter to Bursa Depository: (a) Name of shareholders; (b) Number of shares; and (c) Date of expiry of the moratorium for each block of shares.	To be complied
2.	Approvals from other relevant authorities have been obtained for implementation of the listing proposal.	Complied
3.	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements.	To be complied
4.	Furnish Bursa Securities a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued share capital of Securemetric on the first day of listing.	To be complied
5.	Any director of Securemetric who has not attended the Mandatory Accreditation Programme must do so prior to the listing of Securemetric.	To be complied. Bursa Securities has on 28 September 2018 granted an extension of time until 7 December 2018 for compliance.
6.	In relation to the public offering to be undertaken by Securemetric, please announce at least 2 Market Days prior to the listing date, the result of the offering including the following: (a) Level of subscription of public balloting and placement; (b) Basis of allotment / allocation; (c) A table showing the distribution for placement tranche as per the format in Appendix I of the Bursa's Letter; and (d) Disclosure of placees who become substantial shareholders of Securemetric arising from the public offering, if any. and to ensure that the overall distribution of Securemetric's securities is properly carried out to mitigate any disorderly trading in the secondary market.	To be complied
7.	Securemetric / TA Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Securemetric to the Official List of the ACE Market.	To be complied

8. APPROVALS AND CONDITIONS (CONT'D)

8.1.2 SC

Our IPO is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, through its letter dated 4 September 2018, taken note of the resultant equity structure of Securemetric pursuant to our Listing under the equity requirement for public listed companies ("**Equity Requirement**"). Securemetric Malaysia is an MSC Malaysia Status company and had contributed more than 50% of Securemetric Group's profit after tax for FYEs 31 December 2014 to 2016. Accordingly, Securemetric is exempted from the Equity Requirement.

TA Securities / Securemetric is required to update the SC if Securemetric Malaysia's contribution to Securemetric Group's profit after tax falls below 50% for the latest financial year prior to the listing. In such circumstance, Securemetric would be subjected to Equity Requirement.

If we undertake subsequent proposals involving:

(i) a transfer of our listing status to the Main Market of Bursa Securities; or

(ii) any acquisition which results in a significant change in our business direction or policy,

we must submit such an application to the SC under the Equity Requirement for a reassessment.

8.1.3 MDEC

Securemetric Malaysia was granted MSC Malaysia Status by the Government of Malaysia as evidenced by the MSC Malaysia Status certificate dated 8 May 2007. In order to maintain its preferential status, Securemetric Malaysia is expected to operate according to the following conditions imposed by MDEC:

Conditions imposed	Status of our compliance
The MSC Malaysia Status company agrees:	
(a) to complete business registration of the proposed entity as a locally incorporated company under the Act within 1 month from the date of the MDEC's letter, commence operations of the proposed entity within 6 months from the date of the MDEC's letter, and undertake such activities specified in the MSC Malaysia Status Company's business plan ("**Business Plan**") as approved by MDEC below ("**MSC Qualifying Activities**") within 6 months from the date of the MDEC's letter or by such date(s) as may be specified in the Business Plan (which date(s) may be extended or modified with the written consent of MDEC) and thereafter continue with such business and activities unless otherwise approved by MDEC. The MSC Qualifying Activities are as follows: (i) research, development and commercialization of the following digital security solutions: - software licence & copyright protection security, known as SecureDongle; - PKI & network security known as SecureToken - data/drive encryption solution, known as SecureLockup; - one-time password security solution, known as SecureOTP; - security solution for mobile commerce, known as SecureMobile;	Complied

8. APPROVALS AND CONDITIONS (CONT'D)

Conditions imposed	Status of our compliance
- back end infrastructure security solution, known as SecureBackbone. (ii) provision of maintenance and technical support services related to the solutions mentioned above.	
(b) that any changes proposed to the above MSC Qualifying Activities as detailed in the Business Plan must receive the prior written consent of MDEC;	Complied
(c) to locate the implementation and operation of the MSC Qualifying Activities in a designated zone in Cybercity with minimum office space of 3,000 sq ft, within 6 months from the date of the MDEC's letter. The MSC Malaysia Status Company shall obtain MDEC's prior written approval in the event of any changes in the location or address of the company;	Complied
(d) to ensure that at all times at least 15% of the total number of employees (excluding support staff) of the MSC Malaysia Status Company shall be "knowledge workers" (as defined by MDEC). "Knowledge workers" shall be recruited, employed and/or appointed solely for the purpose of undertaking the MSC Qualifying Activities. The recruitment, employment and/or appointment of foreign "knowledge workers" (if any) shall be the sole responsibility of the MSC Malaysia Status Company and MDEC shall not be held responsible for any liability arising from such recruitment, employment and/or appointment;	Complied
(e) to ensure that any products produced pursuant to the MSC Qualifying Activities are original, and that no part or portion of such product is an infringement or violation of any intellectual property or any proprietary rights of any third party, or constitutes a misappropriation of know-how belonging to any third party;	Complied
(f) to submit to MDEC a copy of the MSC Malaysia Status Company's Annual Report and audited statements in parallel with submission to the CCM;	Complied
(g) to ensure that all information and/or documents furnished by the MSC Malaysia Status Company to MDEC or any other authority or agency do not contain any false, untrue or inaccurate statements or omit to state any facts, the omission of which would make any statements made therein in the light of the circumstances under which they are made, misleading;	Complied
(h) to inform and obtain the prior approval of MDEC for any proposed change in the name of the MSC Malaysia Status Company;	Complied
(i) to inform MDEC of any change in the equity structure or shareholding structure of the MSC Malaysia Status Company, or such other changes that may affect the direction or operation of the MSC Malaysia Status Company. MDEC must be informed of any change before steps are taken to effect such change; and	Complied

8. APPROVALS AND CONDITIONS (CONT'D)

Conditions imposed	Status of our compliance
(j) to comply with all such statutory regulatory and/or licensing requirements as may be applicable, including but not limited to the Transfer Pricing Guidelines issued by the Inland Revenue Board of Malaysia on 2 July 2003, and such other amendments as may be applicable from time to time.	Complied
(k) that the MSC Malaysia Status granted to the MSC Malaysia Status Company shall not be transferable or assignable in any way whatsoever without the prior written consent of MDEC.	Complied

8.2 Moratorium on our Shares

In compliance with Rule 3.19 of the Listing Requirements, the following moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters:

(i) the moratorium applies to the entire shareholdings of our Promoters for a period of six months from the date of admission to the ACE Market of Bursa Securities ("**6-Month Moratorium**");

(ii) upon the expiry of the 6-Month Moratorium, our Promoters' aggregate shareholdings amounting to at least 45% of the nominal issued ordinary share capital of our Company shall remain under moratorium, for another period of six months; and

(iii) our Promoters may thereafter sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of the Shares held under moratorium.

The moratorium to be imposed on our Promoters are as set out below:

	Under moratorium for the first 6 months after Listing		Under moratorium for the subsequent 6 months	
Promoters	**No. of Shares**	***%(1)***	**No. of Shares**	***%(1)***
Law Seeh Key	126,337,605	*51.87*	78,873,484	*32.38*
Nioo Yu Siong	22,587,895	*9.27*	14,095,955	*5.79*
Yong Kim Fui	14,662,500	*6.02*	9,154,007	*3.76*
Li Jianjun	12,012,000	*4.93*	7,496,554	*3.07*
Total	**175,600,000**	***72.09***	**109,620,000**	***45.00***

Note:

(1) Based on our enlarged issued share capital of 243,600,000 Shares after our IPO.

Our Promoters have provided written undertakings that they will not sell, transfer or assign their shareholdings held under moratorium during the moratorium period. The moratorium restriction, which is fully accepted by our Promoters, are specifically endorsed on the share certificates representing the Shares held by our Promoters which are under moratorium to ensure that our share registrar does not register any transfer that would contravene the moratorium restriction.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

9.1 Related party transactions

Under the Listing Requirements, a 'related party transaction' is a transaction entered into by a listed corporation or its subsidiaries which involves the interest, direct or indirect, of a related party. A 'related party' of a listed corporation is:

(i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiary or holding company or a chief executive of the listed corporation, its subsidiary or holding company; or

(ii) a major shareholder means a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:

(a) 10% of the aggregate of the number of all the voting shares in the corporation;

(b) 5% or more of the aggregate of the number of all the voting shares in the corporation where such person is the largest shareholder of the corporation;

and includes any person who is or was within the preceding 6 months of the date on which terms of the transaction were agreed upon, a major shareholder of the listed corporation or any other corporation which is its subsidiary or holding company; or

(iii) a person connected with such director or major shareholder.

Related party transactions can be deemed as recurrent if they are entered into at least once every 3 years, in the ordinary course of business and are of a revenue nature necessary for the day-to-day operations of our Group. After our Listing, we will be required to seek our shareholders' approval each time we enter into any material related party transaction, in accordance with the Listing Requirements. However, if these transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

Under the Listing Requirements, related party transactions may be aggregated to determine their materiality if the terms of such transactions were agreed upon within a 12-month period, are entered into with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation/asset or of various parcels of land contiguous to each other.

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

There are no other existing or proposed related party transactions involving our Group between 1 January 2015 and the LPD, other than as disclosed below:

Transacting parties and nature of transaction	Related party and nature of relationship	Transaction amount			
		FYE 31 December			4M-FPE 30 April
		2015 (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)
Softkey Malaysia provided digital security devices and solutions to **Securemetric Malaysia** and **Softkey Indonesia** (non-recurrent and only up to the FYE 31 December 2015). **Softkey Malaysia** is in the process of being struck off.	**Law Seeh Key** and **Nioo Yu Siong** are the common directors of Softkey Malaysia, Securemetric Malaysia and Softkey Indonesia.	418	-	-	-
RCERT (SEA) Sdn Bhd provides ISO-related audit, registration, certification and surveillance services to **Securemetric Malaysia** (recurrent in nature).	**Clifton Heath Fernandez** is a director as well as controlling shareholder of RCERT (SEA) Sdn Bhd and also an independent director of Securemetric.	255	255	10	-
Breindel Accounting Support Services Pte. Ltd. provides secretarial, accounting and tax related services to **Securemetric Singapore** (recurrent in nature).	**Tan Yung Hui, Gabriel** is the owner, sole shareholder of Breindel Accounting Support Services Pte. Ltd. and also a director of Securemetric Singapore. He is in charge of providing such services to Securemetric Singapore.	2	6	18	7

Pursuant to Guidance Note 9 of the Listing Requirements, an independent director must satisfy the definition of "independent director" as set out in Rule 1.01 of the Listing Requirements, whereby an independent director means a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of an applicant or listed corporation. Based on the requirements stated in Guidance Note 9 of the Listing Requirements, Clifton Heath Fernandez is not disqualified from being an independent director of Securemetric despite the transactions undertaken between RCERT (SEA) Sdn Bhd (in which he is a director and controlling shareholder) and Securemetric Malaysia as stated above, in view of the following:

(i) he had not been engaged personally as an adviser and he had not personally provided professional advisory services to Securemetric Malaysia within the last 2 years; and

(ii) the aggregate consideration of the transactions within the last 2 years was not more than RM1 million.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Our Group does not intend to appoint RCERT (SEA) Sdn Bhd in the future for such transactions and will instead appoint a non-related party if such services are required. Our Group may continue to transact with Briendel Accounting Support Services Pte. Ltd, with the transaction value not expected to be material. Our Board had considered all aspects of the related party transactions and is of the opinion that these transactions were carried out on arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment to our minority shareholders.

In order to safeguard the interests of our Group and our minority shareholders, as well as to mitigate any potential conflict of interest situation, our Audit Committee will review the terms of any related party transaction and report to our Board, as well as disclose them in our annual reports. If there is any proposed related party transaction involving the direct or indirect interest of our Directors, the interested Director shall disclose to our Board the nature and extent of the interest as well as all matters relating to the proposed related party transaction that he/she is or should reasonably be aware of. The interested Director shall also abstain from any Board deliberation and voting on the resolution pertaining to these transactions. If there is any proposed related party transaction requiring prior approval of our shareholders, the Directors, major shareholders and persons connected with them, who has direct or indirect interest in the transaction will also abstain from voting in respect of their direct and indirect shareholdings. They shall also undertake to ensure that any person connected with them will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

9.2 Unusual transactions

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or our subsidiary companies was a party to, between 1 January 2015 and the LPD.

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

9.3 Outstanding loans and guarantees

There are no outstanding loans and guarantees made by our Group to or for the benefit of any related party, between 1 January 2014 and the LPD, other than as disclosed below:

Advances of loans	Related party and Nature of relationship	Amount due from/(to) director				
		Nature of transaction	As at 31 December 2015 (RM'000)	As at 31 December 2016 (RM'000)	As at 31 December 2017 (RM'000)	As at the LPD (RM'000)
Up to FYE 31 December 2015, Securemetric Malaysia provided advances to Law Seeh Key. All advances were fully repaid by 31 December 2016.	**Law Seeh Key** is a controlling shareholder of Securemetric Malaysia prior to the Restructuring Exercise. He is a director of Securemetric Malaysia, Securemetric Indonesia, Securemetric Philippines, Securemetric Vietnam and Securemetric Singapore.	Long-term(1)	-	-	-	-
		Short-term(1)	340	-	-	-
		Long-term(2)	-	-	-	-
		Short-term(2)	-	-	-	-
Nioo Yu Siong, as director, provided advances to Securemetric Philippines, Securemetric Singapore and Securemetric Malaysia for their working capital and for increases in share capital, which were then repaid to him by the subsidiaries. The timings of the repayments gave rise to the amounts outstanding at the end of each financial year.	**Nioo Yu Siong** is a major shareholder of Securemetric Malaysia prior to the Restructuring Exercise. He is a director of Securemetric Malaysia, Securemetric Indonesia, Securemetric Philippines and Securemetric Singapore.	Long-term(1)	-	-	-	-
		Short-term(1)	910	-	-	-
		Long-term(2)	(298)	-	-	-
		Short-term(2)	(58)	(1,170)	(368)	-
Total			**894**	**(1,170)**	**(368)**	-

Notes:

(1) Advances from Securemetric Group to director.

(2) Advances from director to Securemetric Group.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Securemetric Malaysia provided advances to Nioo Yu Siong. These advances were not prohibited under the Act as the prohibition under Section 244 of the Act does not apply to an exempt private company. The advances were made to Nioo Yu Siong when Securemetric Malaysia was an exempt private company and Securemetric Malaysia does not have any shareholding in Securemetric Philippines and Securemetric Singapore. Nioo Yu Siong, in his capacity as a director of Securemetric Philippines, Securemetric Singapore and Securemetric Malaysia, made advances to Securemetric Philippines, Securemetric Singapore and Securemetric Malaysia for their working capital and for increases in share capital.

Part of the advances made by Nioo Yu Siong to Securemetric Philippines were converted to share capital for the purpose of increasing the share capital of Securemetric Philippines. For FYE 31 December 2016, Securemetric Philippines converted advances of PHP5,543,000 (RM475,961) from Nioo Yu Siong into share capital with new shares in Securemetric Philippines issued to Nioo Yu Siong, Law Seeh Key, Nonnatus P. Chua, Aimee Y. Asanza and Marc Joseph Bautista. Shares issued to Nonnatus P. Chua was later transferred to William J. Dimaano. Subsequent to FYE 31 December 2016, Securemetric Philippines has further converted advances of PHP3,957,000 (RM337,896) from Nioo Yu Siong into share capital with new shares in Securemetric Philippines issued to Nioo Yu Siong.

The advances were non-interest bearing, unsecured, and repayable on demand. The advances to Law Seeh Key have been fully repaid as at the LPD. The amount owed to Nioo Yu Siong as at the LPD, has been fully repaid in February 2018. These advances were not made on an arm's length basis as the advances were non-interest bearing. Our Group will not be providing any future advances (including loans and guarantees) to or for the benefit of related parties. All future transactions which involve the interests of related parties will be transacted at arm's length, on our normal commercial terms which are not more favourable to the related parties than those generally available to the public, and which are not to the detriment of the minority shareholders. The Audit Committee will supervise the terms of all related party transactions, and our Directors will report any such transactions in our annual reports.

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9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

9.4 Interests in similar businesses / Conflict of interest

None of our Directors, major shareholders and key senior management has any interest, direct or indirect, in other businesses and corporations carrying on a similar trade as our Group which would potentially give rise to a conflict of interest situation, as at the LPD.

Our Directors, major shareholders and key senior management had not been involved in similar businesses outside our Group, save as follows:

Name	Designation	Name of companies	Director / Shareholder	Principal activities and remarks
Law Seeh Key	Non-Independent Executive Director / Chief Executive Officer	Softkey Malaysia	Director and 85% shareholder	Softkey Malaysia traded and supplied digital security devices and solutions. It is currently dormant. As disclosed in **Section 5.1** of this Prospectus, the incorporation of Securemetric Malaysia in 2007 resulted in the conversion of Softkey Malaysia's clients to Securemetric Malaysia's clients. An application to strike off Softkey Malaysia was submitted to the CCM on 11 September 2017 and is being processed by CCM. Upon being struck off, the name of Softkey Malaysia will be gazetted and thereafter deemed dissolved pursuant to Section 551 (3) of the Act. There is no definite time frame for the entire process as it would depend on the processing time taken by CCM.
Nioo Yu Siong	Chief Operating Officer	Softkey Malaysia	Director and 5% shareholder	Softkey Malaysia is in the process of being struck off.

Our Group will not enter into any transactions with Softkey Malaysia. Our Board is of the view that there is no conflict of interest situation existing or is likely to exist as a result of the directorships and shareholdings as stated above.

Our Audit Committee will supervise any conflict of interest or potential conflict of interest situations and our Board will disclose such conflict of interest situations, if any, for resolutions as and when they arise. As a measure to govern and supervise potential recurrent related party transactions, an internal framework and policy will be adopted by our Board to ensure that potential recurrent related party transactions will be carried out on an arm's length basis. In line with its terms of reference as stated in **Section 7.3** of this Prospectus, the Audit Committee will review these potential recurrent related party transactions and conflict of interest situations that may arise therefrom.

As at the LPD, none of our Directors or major shareholders has any interest, direct or indirect, in any other businesses and corporations which are the customers or suppliers of our Group.

9. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

9.5 Declarations by our advisers

TA Securities confirms that there is no existing or potential conflict of interest in respect of its roles as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our IPO.

Gary Teh & Ngiam confirms that there is no existing and potential conflict of interest in respect of its role as the Solicitors for our IPO.

UHY confirms that there is no existing and potential conflict of interest in respect of its role as the Auditors and Reporting Accountants for our IPO.

SMITH ZANDER confirms that there is no existing and potential conflict of interest in respect of its role as the Independent Market Researcher for our IPO.

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10. FINANCIAL INFORMATION

10.1 Reporting Accountants' letter on the compilation of pro forma consolidated financial information as at 30 April 2018

UHY (AF1411)
Chartered Accountants
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Lingkaran Syed Putra
59200 Kuala Lumpur

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25 SEP 2018

The Board of Directors
Securemetric Berhad
Level 5-E-06, Enterprise 4
Technology Park Malaysia
Lebuhraya Puchong-Sg. Besi
Bukit Jalil
57000 Kuala Lumpur

Dear Sirs,

SECUREMETRIC BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Financial Information of Securemetric Berhad ("Securemetric" or "the Company") and its proposed subsidiary companies (hereinafter collectively referred as "Securemetric Group"). The Pro Forma Consolidated Financial Information consists of the Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 together with the accompanying notes thereon (as set out in the Notes to the Pro Forma Consolidated Financial Information which we have stamped for the purpose of identification) prepared by the Directors of the Company ("Directors").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Financial Information are as disclosed in Notes to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines")("Applicable Criteria").

The Pro Forma Consolidated Financial Information of the Securemetric Group have been compiled by the Directors, for illustrative purposes only, for the inclusion in the Prospectus in connection with the Initial Public Offering ("IPO") and the listing of and quotation for the entire enlarged issued share capital of Securemetric on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").

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SECUREMETRIC BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Directors are responsible for compiling the Pro Forma Consolidated Financial Information based on the Applicable Criteria.

Reporting Accountants' Independence and Other Ethical Requirements

We are independent of the Securemetric Group and of the Company 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the Pro Forma Consolidated Financial Information has been compiled, in all material aspects, by the Directors based on the Applicable Criteria.

We conducted our engagement in accordance with International Standards on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material aspects, the Pro Forma Consolidated Financial Information based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Consolidated Financial Information , nor have we, in the course of this engagement, perform an audit or review of the financial information used in compiling the Pro Forma Consolidated Financial Information.

The purpose of the Pro Forma Consolidated Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occured or the transaction had been undertaken at an earlier date selected for the purpose of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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SECUREMETRIC BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Reporting Accountants' Responsibilities (Cont'd)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Financial Information has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Financial Information of the Securemetric Group in reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

(a) the related pro forma adjustments give appropriate effect to those criteria; and

(b) the Pro Forma Consolidated Financial Information reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Consolidated Financial Information of Securemetric Group as set out in the accompanying notes, which is provided for illustrative purposes only, has been prepared based on the audited combined financial statements of Securemetric Group as at 30 April 2018 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and is presented on a basis consistent with both the format and accounting policies adopted by the Securemetric Group and after taking into account adjustments appropriate for the purposes of the Pro Forma Consolidated Financial Information as set out in the accompanying notes; and

(b) each material adjustments made to the information used in the preparation of the Pro Forma Consolidated Financial Information of the Securemetric Group is appropriate for the purposes of preparing the Pro Forma Consolidated Financial Information.

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SECUREMETRIC BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Other Matters

This letter has been prepared for inclusion in the Prospectus of Securemetric in connection with the Listing. As such, this letter should not be used, circulated, quoted or otherwise referred to in any document or used for any 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,

UHY
Firm Number: AF 1411
Chartered Accountants

NG WEE TEIK
Approved Number: 1817/12/2018 (J)
Chartered Accountant

KUALA LUMPUR

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018

1. Introduction

The Pro Forma Consolidated Financial Information of Securemetric Berhad ("Securemetric" or "the Company") and its proposed subsidiary companies ("hereinafter collectively referred to as the "Securemetric Group") has been compiled by the Directors of the Company, for illustrative purposes only, for inclusion in the prospectus of Securemetric in connection with the Initial Public Offering ("IPO") and the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

2. Basis of Preparation

2.1 The Pro Forma Consolidated Financial Information of Securemetric Group as at 30 April 2018 has been compiled based on the audited combined financial statements of Securemetric Group as at 30 April 2018 and is presented on a basis consistent with both the format and accounting policies adopted by Securemetric Group, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

2.2 The Pro Forma Consolidated Financial Information of Securemetric Group, of which the Directors of Securemetric are solely responsible, have been prepared to illustrate that the Pro Forma Consolidated Statement of Financial Position of Securemetric Group as at 30 April 2018 have been adjusted for based on the assumption that the Restructuring and the Public Issue have occurred on 30 April 2018 as disclosed in Notes 3 and 4 to the Pro Forma Consolidated Financial Information and the utilisation of proceeds from the IPO.

2.3 The audited combined financial statements of Securemetric Group for the financial period ended 30 April 2018 were reported without any modifications and were not subject to any audit qualifications.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

2. **Basis of Preparation (Cont'd)**

2.4 The Securemetric Group is regarded as a continuing entity resulting from the restructuring exercise as this business combination involves entities or business which are ultimately controlled by the same parties before and after the business combination. The Pro Forma Consolidated Financial Information of the Securemetric Group has applied the merger method of accounting to account for the Acquisitions [as disclosed in Note 3(a) to 3(f)] of subsidiary companies on a restrospective basis and restated its comparative as if the consolidation had taken place before the start of the earliest period presented in the financial statements.

Under the merger method,

(i) If the cost of merger is lower than the nominal value of the share capital of the proposed subsidiary companies, a credit balance will arise and be treated as merger reserve under the Pro Forma Consolidated Statement of Financial Position.

(ii) If the cost of merger is exceeded the nominal value of the share capital of the proposed subsidiary companies, a debit balance will arise and be treated as merger deficit under the Pro Forma Consolidated Statement of Financial Position.

Inter-company transactions, balances and unrealised gain or losses on transactions between Group companies are eliminated.

2.5 In preparing the Pro Forma Consolidated Financial Information, the financial information of the following proposed subsidiary companies was translated into Ringgit Malaysia ("RM") and has been rounded to nearest RM except when otherwise stated:

Subsidiary company	Functional currency
PT Securemetric Technology ("Securemetric Indonesia")	Indonesian Rupiah (IDR)
PT Softkey Inonesia ("Softkey Indonesia")	Indonesian Rupiah (IDR)
Securemetric Technology Co., Ltd ("Securemetric Vietnam")	Vietnamese Dong (VND)
Securemetric Technology, Inc. ("Securemetric Philippines")	Philippine Peso (PHP)
Securemetric Technology Pte Ltd ("Securemetric Singapore")	Singapore Dollar (SGD)

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

2. **Basis of Preparation (Cont'd)**

2.5 In preparing the Pro Forma Consolidated Financial Information, the financial information of the following proposed subsidiary companies was translated into Ringgit Malaysia ("RM") and has been rounded to nearest RM except when otherwise stated: (Cont'd)

All assets and liabilities of foreign operations that have a functional currency other than RM are translated at the exchange rates ruling at the reporting date. Income and expenses items are translated at an average exchange rate during a financial year/period. All exchange differences arising from the translation of the financial statements of foreign operations are accounted for under foreign currency translation reserve.

The exchange rates used for the purpose of this report are extracted from Bank Negara Malaysia as follows:

Closing rate	**At 30 April 2018**		
IDR	IDR1.00	:	RM0.00028
VND	VND1.00	:	RM0.00017
PHP	PHP1.00	:	RM0.07600
SGD	SGD1.00	:	RM2.96000

2.6 The Pro Forma Consolidated Financial Information of the Securemetric Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Securemetric Group and does not purport to predict the future financial position and results of the Securemetric Group.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

3. **Restructuring**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below:

(a) Acquisition of Securemetric Technology Sdn. Bhd. ("Securemetric Malaysia")

Securemetric had on 2 February 2018 entered into a conditional Share Sale and Purchase Agreement ("SSPA") (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest in Securemetric Malaysia comprising 1,000,000 ordinary shares for a purchase consideration of RM9,916,998, satisfied through the issuance of 123,962,475 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Malaysia, as follows:

Vendors	No. of Securemetric Malaysia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	890,000	89.00	110,326,603
Nioo Yu Siong	110,000	11.00	13,635,872
Total	**1,000,000**	**100.00**	**123,962,475**

The purchase consideration was based on Securemetric Malaysia's audited net assets ("NA") as at 31 December 2016 of RM9,917,500 and is at a discount of RM502 or 0.01% to the audited NA.

The acquisition of Securemetric Malaysia was completed on 31 July 2018. Thereafter, Securemetric Malaysia became the wholly-owned subsidiary company of Securemetric.

(b) Acquisition of Securemetric Technology Co., Ltd ("Securemetric Vietnam")

Securemetric had on 2 February 2018 entered into separate conditional Sale and Purchase Agreement ("SPA") (as supplemented by the supplemental agreements all dated 19 July 2018) with each of the Vendors of Securemetric Vietnam to acquire Securemetric Vietnam's entire USD100,000 contributed charter capital, satisfied through a total cash consideration of USD165,192 (equivalent to RM644,000 at the exchange rate of USD1.00: RM3.89850 as mutually agreed in the agreements).

The purchase consideration was based on Securemetric Vietnam's audited NA as at 31 December 2016 of RM644,549 and is at a discount of RM549 or 0.09% to the audited NA. The conditional sale and purchase agreements are governed by the laws of Vietnam. The acquisition of Securemetric Vietnam was completed on 4 September 2018. Thereafter, Securemetric Vietnam became the wholly-owned subsidiary company of Securemetric.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

3. **Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below: (Cont'd)

(b) Acquisition of Securemetric Technology Co., Ltd ("Securemetric Vietnam") (Cont'd)

The Vendors of Securemetric Vietnam had advanced cash of USD165,192 (equivalent in amount to the purchase consideration) to Securemetric. The advances had been capitalised with the issuance of 8,050,000 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Vietnam.

The Acquisition of Securemetric Vietnam was satisfied in cash because under Vietnamese law, any form of consideration other than cash would require an independent valuation to be undertaken on the consideration (namely, the new Securemetric Shares to be issued). The valuation may be time consuming, involve additional cost and furthermore be subject to challenge by the relevant Vietnamese licensing authority. Such an arrangement is not in breach of any laws in Vietnam and Malaysia.

The Vendors of Securemetric Vietnam have received new Securemetric Shares from the capitalisation of their advances as follows:

Vendors	Advances made to Securemetric (USD)	%	No. of Securemetric Shares issued
Law Seeh Key	80,944	49.00	3,944,500
Li Jianjun	79,292	48.00	3,864,000
Nioo Yu Siong	4,956	3.00	241,500
Total	**165,192**	**100.00**	**8,050,000**

(c) Acquisition of Securemetric Technology, Inc. ("Securemetric Philippines")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 99.997% equity interest in Securemetric Philippines comprising 99,997 shares for a purchase consideration of RM681,000, satisfied through the issuance of 8,512,500 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Philippines, as follows:

Vendors	No. of Securemetric Philippines shares	%	No. of Securemetric Shares issued as consideration
Nioo Yu Siong	87,911	87.911	7,483,648
Law Seeh Key	12,086	12.086	1,028,852
Total	**99,997**	**99.997**	**8,512,500**

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UHY CHARTERED ACCOUNTANTS (AF 1411)

SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

3. **Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below: (Cont'd)

(c) Acquisition of Securemetric Technology, Inc. ("Securemetric Philippines") (Cont'd)

The purchase consideration was based on Securemetric Philippines' adjusted NA as at 31 December 2016 of RM681,238 (comprising audited NA of RM266,395 adjusted for the increase in issued share capital of RM414,843) and is at a discount of RM238 or 0.03% to the adjusted NA.

The acquisition of Securemetric Philippines was completed on 4 September 2018. Thereafter, Securemetric Philippines became 99.997% owned subsidiary company of Securemetric.

(d) Acquisition of PT Securemetric Technology ("Securemetric Indonesia")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest in Securemetric Indonesia comprising 100,000 shares for a purchase consideration of RM1,358,000, satisfied through the issuance of 16,975,000 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Indonesia, as follows:

Vendors	No. of Securemetric Indonesia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	47,000	47.00	7,978,250
Nioo Yu Siong	5,000	5.00	848,750
Li Jianjun	48,000	48.00	8,148,000
Total	**100,000**	**100.00**	**16,975,000**

The purchase consideration was based on Securemetric Indonesia's audited NA as at 31 December 2016 of RM1,358,878 and is at a discount of RM878 or 0.06% to the audited NA.

The acquisition of Securemetric Indonesia was completed on 4 September 2018. Thereafter, Securemetric Indonesia became the wholly-owned subsidiary company of Securemetric.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

3. **Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below: (Cont'd)

(e) Acquisition of Securemetric Technology Pte Ltd ("Securemetric Singapore")

Securemetric had on 2 February 2018 entered into a conditional SSPA agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire entire 100% equity interest in Securemetric Singapore comprising 50,000 shares for a purchase consideration of RM275,000, satisfied through the issuance of 3,437,500 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Singapore, as follows:

Vendors	No. of Securemetric Singapore shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	44,500	89.00	3,059,375
Nioo Yu Siong	5,500	11.00	378,125
Total	**50,000**	**100.00**	**3,437,500**

The purchase consideration was based on Securemetric Singapore's audited NA as at 31 December 2016 of RM275,401 and is at a discount of RM401 or 0.15% to the adjusted NA.

The acquisition of Securemetric Singapore was completed on 4 September 2018. Thereafter, Securemetric Singapore became the wholly-owned subsidiary company of Securemetric.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

3. **Restructuring (Cont'd)**

In preparation of the Listing, Securemetric has undertaken restructuring in relation to the proposed companies under the Securemetric Group as set out below: (Cont'd)

(f) Acquisition of PT Softkey Indonesia ("Softkey Indonesia")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 80% equity interest in Softkey Indonesia comprising 80,000 shares for a purchase consideration of RM1,173,000, satisfied through the issuance of 14,662,500 new Securemetric Shares at RM0.08 each to the vendor of Softkey Indonesia, as follows:

Vendor	No. of Softkey Indonesia shares	%	No. of Securemetric Shares issued as consideration
Yong Kim Fui	80,000	80.00	14,662,500

The purchase consideration was based on Softkey Indonesia's audited NA as at 31 December 2016 of RM1,467,478 and is at a discount of RM982 or 0.08% to the audited NA.

The acquisition of Softkey Indonesia was completed on 4 September 2018. Thereafter, Softkey Indonesia became 80% owned subsidiary company of Securemetric.

[3(a) to 3(f) are collectively referred as "Acquisitions" or "Restructuring"]

The new Securemetric Shares to be issued pursuant to the Acquisitions will rank pari passu in all respects with the existing Securemetric Shares except that the new Securemetric Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid, the entitlement date of which is prior to the date or allotment of the said new Securemetric Shares.

4. **Public Issue**

The Company is issuing 68,000,000 IPO Shares at an issue price of RM0.25 each, representing approximately 27.9% of the enlarged total number of issued Shares of the Company, to be allocated and allotted in the following manner:

(a) Malaysian Public via Balloting

17,000,000 IPO Shares, representing 7.0% of the enlarged total number of issued Shares of the Company will be made available for application by the Malaysian Public through a balloting process, of which at least 50% is to be set aside for Bumiputra investors.

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UHY CHARTERED ACCOUNTANTS (AF 1411)

SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

4. **Public Issue (Cont'd)**

The Company is offering 68,000,000 IPO Shares at an issue price of RM0.25 each, representing approximately 27.9% of the enlarged total number of issued Shares of the Company, to be allocated and allotted in the following manner: (Cont'd)

(b) Private placement to selected investors

48,000,000 IPO Shares, representing approximately 19.7% of the total number of issued Shares of the Company are reserved for private placement to selected investors.

(c) Eligible employees of Securemetric Group

3,000,000 IPO Shares (being Pink Form Allocations), representing approximately 1.2% of the enlarged total number of issued Shares of the Company are reserved for application by Securemetric Group's eligible employees.

5. **Utilisation of Proceeds from IPO**

The gross proceeds arising from the Public Issue will be utilised by Securemetric in the following manner:

	Estimated time frame for use of proceeds upon Listing	**RM**	**%**
Business expansion	Within 24 months	1,700,000	10.0
Development of new digital security solutions	Within 24 months	5,700,000	33.5
Repayment of borrowings	Within 24 months	1,942,000	11.4
Working capital	Within 24 months	5,158,000	30.4
Listing expenses	Within 1 month	2,500,000	14.7
Total gross proceeds		17,000,000	100.0

6. **Listing**

Upon completion of the Acquisitions and Public Issue, Securemetric will seek the listing of and quotation for its entire 243,600,000 Securemetric Shares on the ACE Market of Bursa Securities.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. Pro Forma Consolidated Statement of Financial Position as at 30 April 2018

The pro forma consolidated statement of financial position of the Securemetric Group as at 30 April 2018 have been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Securemetric Group had been in existence on 30 April 2018 and the Listing completed on that date.

				Proforma I		Proforma II		Proforma III
	Note	Securemetric as at 30 April 2018 RM	Adjustment for Acquisitions RM	After Acquisitions RM	Adjustment for Public Issue RM	After Proforma I and Public Issue RM	Adjustment for Utilisation of Proceeds from IPO RM	After Proforma II and Utilisation of Proceeds from IPO RM
Assets								
Non-Current Assets								
Property, plant and equipment	7.2	-	674,366	674,366	-	674,366	2,800,000	3,474,366
Development expenditure		-	1,772,477	1,772,477	-	1,772,477	-	1,772,477
Other investment		-	233,459	233,459	-	233,459	-	233,459
Deferred tax assets		-	99,607	99,607	-	99,607	-	99,607
		-		2,779,909		2,779,909		5,579,909

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. **Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 (Cont'd)**

	Note	Securemetric as at 30 April 2018 RM	Adjustment for Acquisitions RM	Proforma I After Acquisitions RM	Adjustment for Public Issue RM	Proforma II After Proforma I and Public Issue RM	Adjustment for Utilisation of Proceeds from IPO RM	Proforma III After Proforma II and Utilisation of Proceeds from IPO RM
Current Assets								
Inventories		-	2,188,913	2,188,913	-	2,188,913	-	2,188,913
Other investment		-	1,000,387	1,000,387	-	1,000,387	-	1,000,387
Trade receivables		-	4,841,185	4,841,185	-	4,841,185	-	4,841,185
Other receivables		65,000	3,704,850	3,769,850	-	3,769,850	-	3,769,850
Tax recoverable		-	174,651	174,651	-	174,651	-	174,651
Fixed deposits with licensed banks		-	4,896,448	4,896,448	-	4,896,448	-	4,896,448
Cash and bank balances	7.3	9,405	9,817,340	9,826,745	17,000,000	26,826,745	(10,142,000)	16,684,745
		74,405		26,698,179		43,698,179		33,556,179
Total Assets		74,405		29,478,088		46,478,088		39,136,088



SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. **Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 (Cont'd)**

	Note	Securemetric as at 30 April 2018 RM	Adjustment for Acquisitions RM	Proforma I After Acquisitions RM	Adjustment for Public Issue RM	Proforma II After Proforma I and Public Issue RM	Adjustment for Utilisation of Proceeds from IPO RM	Proforma III After Proforma II and Utilisation of Proceeds from IPO RM
Equity								
Share capital	7.4	2	14,047,998	14,048,000	17,000,000	31,048,000	(650,000)	30,398,000
Reserves	7.5	-	(11,399,556)	(11,399,556)	-	(11,399,556)	-	(11,399,556)
Retained earnings	7.6	(25,597)	16,182,546	16,156,949	-	16,156,949	(4,750,000)	11,406,949
Equity attributable to owners of the Parent		(25,595)	-	18,805,393	-	35,805,393	-	30,405,393
Non-controlling interests		-	243,354	243,354	-	243,354	-	243,354
Total equity		(25,595)		19,048,747		36,048,747		30,648,747
Liabilities								
Non-Current Liability								
Bank borrowings	7.7	-	1,799,596	1,799,596	-	1,799,596	(1,373,017)	426,579



SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. **Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 (Cont'd)**

	Note	Securemetric as at 30 April 2018 RM	Adjustment for Acquisitions RM	Proforma I After Acquisitions RM	Adjustment for Public Issue RM	Proforma II After Proforma I and Public Issue RM	Adjustment for Utilisation of Proceeds from IPO RM	Proforma III After Proforma II and Utilisation of Proceeds from IPO RM
Current Liabilities								
Trade payables		-	750,834	750,834	-	750,834	-	750,834
Other payables		100,000	7,172,718	7,272,718	-	7,272,718	-	7,272,718
Bank borrowings	7.7	-	568,983	568,983	-	568,983	(568,983)	-
Tax payable		-	37,210	37,210	-	37,210	-	37,210
		100,000		8,629,745		8,629,745		8,060,762
Total Liabilities		100,000		10,429,341		10,429,341		8,487,341
Total Equity and Liabilities		74,405		29,478,088		46,478,088		39,136,088



SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. Pro Forma Consolidated Statement of Financial Position as at 30 April 2018 (Cont'd)

	Securemetric as at 30 April 2018	Proforma I After Acquisitions	Proforma II After Proforma I and Public Issue	Proforma III After Proforma II and Utilisation of Proceeds from IPO
Number of ordinary shares assumed to be in issued	25	175,600,000	243,600,000	243,600,000
Net (liability)/assets attributable to owners of the Parent (RM)	(25,595)	18,805,393	35,805,393	30,405,393
Net (liability)/assets per ordinary share (sen)	(102,380)	10.71	14.70	12.48
Net tangible (liability)/ assets (RM) ^	(25,595)	17,032,916	34,032,916	28,632,916
Net tangible (liability)/assets per ordinary share (sen)	(102,380)	9.70	13.97	11.75

Note:
^ *The net tangible (liability)/assets is computed by deducting intangible assets from total net assets attributable to owners of the Parent.*

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7. **Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)**

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information**

Pro Forma I

Pro Forma I incorporates the effects of the Acquisitions by Securemetric as disclosed in Note 3(a) to 3(f) to the Pro Forma Consolidated Financial Information.

Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and after the Public Issue as disclosed in Note 4 to the Pro Forma Consolidated Financial Information.

Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and after utilisation of proceeds from IPO as disclosed in Note 5 to the Pro Forma Consolidated Financial Information.

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner:

	Estimated time frame for use of proceeds upon Listing	**RM**	**%**
Business expansion	Within 24 months	1,700,000	10.0
Development of new digital security solutions	Within 24 months	5,700,000	33.5
Repayment of borrowings	Within 24 months	1,942,000	11.4
Working capital	Within 24 months	5,158,000	30.4
Listing expenses	Within 1 month	2,500,000	14.7
Total gross proceeds		17,000,000	100.0

(a) Business expansion

Securemetric Group is allocating RM1.70 million of the proceeds towards its business expansion.

(i) Establishment of additional regional offices and office expansion

Securemetric Group is allocating RM0.70 million towards the costs of office expansion in Malaysia and the Philippines, in order to strengthen its invested resources in these countries. These costs include rental expenses, rental deposits, renovation works as well as purchase of equipment, furniture and fittings. Securemetric Group has set aside RM0.30 million for Malaysia and RM0.40 million for the Philippines. Additional funding for such expansion, if required, will be met through internally-generated funds and/or external borrowings.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)**

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(a) Business expansion (Cont'd)

(ii) Marketing and promotional activities

Securemetric Group is allocating RM1.00 million for marketing and promotional activities, both within Malaysia and outside Malaysia. In order to gain a bigger market share, Securemetric Group is adopting a proactive marketing strategy through participation in industry events such as seminars, forums, conferences and exhibitions, which are held in countries such as Malaysia, Singapore, Indonesia, Vietnam, the Philippines, Thailand and Myanmar. These events are organised periodically and Securemetric Group intends to participate in some of the events in the future. Securemetric Group's participation in each costs an average of approximately RM75,000 in the form of event fees, booth customisation, printing costs, gifts and staff travel-related costs. These seminars, forums, conferences and exhibitions provide avenues for Securemetric Group to gain access to latest developments and know-hows within the IT security industry, to showcase and promote their solutions and products as well as to network with other industry participants. Securemetric Group had previously participated in a number of such events, including BankTech Asia conference, the Philippine Software Industry Conference, RSA conference, Cyber Security Malaysia Awards, Conference & Exhibition (CSM-ACE) and Asian Banker Summit.

(b) Development of new digital security solutions

Securemetric Group is allocating RM5.70 million for the following:

R&D investment		RM'000
(i)	Investment in R&D equipment	2,800
(ii)	R&D engineer team expansion costs	2,400
(iii)	Costs relating to development and registration of new patents	500
Total		**5,700**

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)**

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(b) Development of new digital security solutions (Cont'd)

(i) Investment in R&D equipment of up to RM2.80 million will comprise the following:

R&D Equipment	RM'000
PKI IN A BOX for IOT Internet of Things devices (e.g., smart locks, wearables (health tracking bands), automatic car tracking adapters, smart censors, smart meters, smart close circuit television (CCTV), smart thermostats) with its software development kits and PKI appliances.	630
CENTAGATE® BOX for Financial Technology ("FinTech") and CENTAGATE® on Cloud Devices and tools related to FinTech such as servers, hardware security modules, mobile devices (e.g., hand phones and tablets), point of sale devices and CENTAGATE® BOX.	1,460
Digital Signing-as-a-Service Digital signing development servers and devices specifically catering for our digital signing solutions.	710
Total	**2,800**

Securemetric Group's continued focus on R&D for the ongoing development of new digital security solutions will provide Securemetric Group with the platform for long term sustainable growth.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)**

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(b) Development of new digital security solutions (Cont'd)

(ii) Securemetric Group target to increase their R&D team in Malaysia by 10 employees comprising experienced mobile security and IOT engineers depending on its assessment of needs, and it intend to use up to RM2.40 million towards the new employees' salaries (including contributions to Employees' Provident Fund and Social Security Organisation) as well as training courses.

(iii) Securemetric Group is allocating RM500,000 towards costs relating to development and registration of new patents for digital security solutions. Securemetric Group target to develop a minimum of 5 new patents every year and submit them for registration. On average, each patent will require RM50,000 towards development and registration.

The R&D team is constantly designing new and/or enhanced solutions to further improve the digital security solutions already existing in the market. In order to protect the rights to the new and/ or enhanced digital solutions, Securemetric Group will engage patents agents to assist it in patenting the said solutions with the Intellectual Property Corporation of Malaysia (MyIPO) and this process will take approximately 20 months. All new patents will be registered under the name of Securemetric Malaysia. After patenting the solutions locally, Securemetric Group will register their patents in the countries of its operations. The international patent application normally takes approximately 18 months to process. The patented solutions will be exclusive to Securemetirc Group and therefore prevent other industry players from duplicating its proprietary solutions.

Any surplus or shortfall of the actual amounts used for the development of new digital security solutions will be re-allocated firstly amongst the different categories therein. Any further balance will be re-allocated against the amount allocated for working capital.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)**

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(c) Repayment of borrowings

Securemetric Group is allocating RM1.94 million to repay term loans being used for its working capital:

No.	Term loan facility	Repayment amount RM'000	Interest rate / Maturity date
1	Malayan Banking Berhad	711	11.15% p.a [(i)] / 30 April 2022
2	AmBank Islamic Berhad	1,231	7.95% p.a [(ii)] / 1 October 2021
	Total	1,942	

Notes:
(i) Base lending rate of 6.65% as at 24 September 2018 plus 4.5%.
(ii) Base financing rate of 6.95% as at 24 September 2018 plus 1.0%.

If the actual repayment amount for the term loans is less or more than allocated, the surplus or shortfall (as the case may be) will be re-allocated from the amount set aside for Securemetric Group's day-to-day operational working capital.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)**

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(d) Working capital

Securemetric Group is allocating RM5.16 million for the following working capital purposes:

(i) Expansion of workforce

Securemetric Group is allocating RM3.58 million for salaries of the following additional employees:

Expansion of workforce	No. of employees	Salaries
		RM'mil
Project management and support staff responsible for liaising with customers and our R&D team to ensure the achievement of project deliverables, participate in customers meetings resolving technical matters of the project as well as overseeing project implementation.	**6 employees** (3 in Malaysia and 1 each in Indonesia, Vietnam and the Philippines)	0.80
Marketing staff responsible for organising marketing events, planning of advertising and promotion strategies together with business development team (including designing the roll out plans and marketing activities for the launch of new products and solutions).	**1 employee** (in Malaysia)	0.23
Business development managers responsible for planning of sales and marketing strategies, monitoring sales, conducting sales and product training for team members and participating in marketing events.	**10 employees** (3 each in Malaysia and the Philippines and 2 each in Indonesia and Vietnam)	1.18

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)**

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(d) Working capital (Cont'd)

Securemetric Group will allocate RM5.16 million for the following working capital purposes: (Cont'd)

(i) Expansion of workforce (Cont'd)

Securemetric Group is allocating RM3.58 million for salaries of the following additional employees: (Cont'd)

Expansion of workforce	No. of employees	Salaries
		RM'mil
Engineers responsible for the functional analysis, application design, development, testing, deployment and maintenance of products and solutions as well as to ensure the products and solutions meet the project requirements.	**14 employees** (10 in the Philippines and 2 each in Indonesia and Vietnam)	1.18
Customer support manager responsible for overseeing customer service, providing resolution for customer issues, mentoring customer service team members and maintaining a service plan for each customer.	**1 employee** (in the Philippines)	0.19
Total	**32 employees**	**3.58**

For the above expansion of workforce, the actual number of employees to be employed by Securemetric Group will depend on the vacancies available at the relevant point in time.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)**

Pro Forma III (Cont'd)

The gross proceeds arising from the Public Issue will be utilised by the Securemetric Group in the following manner: (Cont'd)

(d) Working capital (Cont'd)

Securemetric Group is allocating RM5.16 million for the following working capital purposes: (Cont'd)

(ii) Day-to-day operations

Securemetric Group is allocating up to RM1.58 million for Securemetric Group's day-to-day operations which include shipment and freight fees for the export of digital security products, maintenance and upkeep of office premises, insurance premiums, travelling charges, printing, utilities and office supplies.

(e) Listing expenses

Securemetric Group is allocating up to RM2.50 million for the following expenses to be fully borne by Securemetric relating to the Public Issue:

Listing expenses	RM'000
Professional fees	1,770
Brokerage, underwriting and placement fees	200
Regulatory fee (Bursa Malaysia Securities Berhad and Securities Commission Malaysia)	65
Other fees and expenses (including printing, advertising and travel)	465
Total	**2,500**

The estimated listing expenses totalling RM2.50 million to be borne by the Company comprise, among others, professional fees, brokerage, underwriting and placement fees, regulatory fees and other fees and expenses. A total of RM0.65 million is assumed to be directly attributable to the Public Issue and as such, will be debited against the share capital of the Company and the remaining expenses of RM1.85 million are assumed to be attributable to the Listing and as such, will be expensed off to the statements of profit or loss and other comprehensive income. Any difference arising from the utilisation as set out above will be adjusted accordingly with the working capital requirements.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Pro Forma Consolidated Financial Information as at 30 April 2018 (Cont'd)

7.1 **Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)**

Securemetric Group intends to place all proceeds received as deposits with licensed financial institutions or short-term money market instruments before they are used for the above purposes.

Upon completion of the Public Issue, the issued Shares of the Company will increase from RM14,048,000 comprising 175,600,000 Securemetric Shares to RM31,048,000 comprising 243,600,000 Securemetric Shares.

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7.2 **Property, Plant and Equipment**

	RM
As at 30 April 2018	-
Acquisitions	674,366
As per Pro Forma I / II	674,366
Utilisation of proceeds from IPO	2,800,000
As per Pro Forma III	3,474,366

7.3 **Cash and Bank Balances**

	RM
As at 30 April 2018	9,405
Acquisitions	9,817,340
As per Pro Forma I	9,826,745
Public Issue	17,000,000
As per Pro Forma II	26,826,745
Utilisation of proceeds from IPO	(10,142,000)
As per Pro Forma III	16,684,745

7.4 **Share Capital**

	RM
As at 30 April 2018	2
Acquisitions	14,047,998
As per Pro Forma I	14,048,000
Public Issue	17,000,000
As per Pro Forma II	31,048,000
Utilisation of proceeds from IPO	(650,000)
As per Pro Forma III	30,398,000

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

7.5 **Reserves**

	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Merger Deficit RM	Total RM
As at 30 April 2018	-	-	-	-	-
Acquisitions	168,921	(567,088)	3,274	(11,004,663)	(11,399,556)
As per Pro Forma I / II / III	168,921	(567,088)	3,274	(11,004,663)	(11,399,556)

7.6 **Retained Earnings**

	RM
As at 30 April 2018	(25,597)
Acquisitions	16,182,546
As per Pro Forma I / II	16,156,949
Utilisation of proceeds from IPO	(4,750,000)
As per Pro Forma III	11,406,949

7.7 **Bank Borrowings**

	Non-current RM	Current RM	Total RM
As at 30 April 2018	-	-	-
Acquisitions	1,799,596	568,983	2,368,579
As per Pro Forma I / II	1,799,596	568,983	2,368,579
Utilisation of proceeds from IPO	(1,373,017)	(568,983)	(1,942,000)
As per Pro Forma III	426,579	-	426,579

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SECUREMETRIC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 30 APRIL 2018 (CONT'D)

Approval by Board of Directors

Approved and adopted by the Board of Directors of Securemetric Berhad in accordance with a resolution dated 25 SEP 2018

LAW SEEH KEY
Director

YONG KIM FUI
Director

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10. FINANCIAL INFORMATION (CONT'D)

10.2 Historical financial information

The following table summarises our Group's combined statements of financial position, statements of profit or loss and other comprehensive income as well as statements of cash flows for FYE 31 December 2015, FYE 31 December 2016, FYE 31 December 2017 and 4M-FPE 30 April 2018 (prepared based on the assumption that our Group has been operating as a single economic entity for the entirety of this time period). These financial statements should be read in conjunction with the Reporting Accountants' Report together with the accompanying notes and assumptions as set out in Section 10.2 and Section 11 of this Prospectus. The Reporting Accountants' Report was prepared based on the merger method of accounting to account for the Acquisitions as Securemetric Group is regarded as a continuing entity resulting from the Restructuring as this business combination involves entities or businesses which are ultimately controlled by the same parties before and after the business combination.

The following table also summarises our Group's combined management accounts for the 4M-FPE 30 April 2017 and audited accounts for 4M-FPE 30 April 2018 (prepared based on the assumption that our Group has been operating as a single economic entity for the entirety of both time periods). As Securemetric was incorporated only on 6 June 2017, the commentaries for the past 3 FYEs 31 December 2015 - 2017 as well as the 4M-FPEs 30 April 2017 and 30 April 2018 are in relation to the other Securemetric companies in the combined group.

10.2.1 Combined statements of financial position

	Audited			Unaudited	Audited
	As at 31 December			As at 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	420	501	745	541	674
Development expenditure	1,324	2,330	1,934	2,330	1,772
Other investment[1]	64	115	251	119	233
Deferred tax assets	67	42	35	143	100
Total non-current assets	**1,875**	**2,988**	**2,965**	**3,133**	**2,779**
Current assets					
Inventories	2,185	1,974	2,084	2,444	2,189
Other investment[1]	-	-	-	-	1,000
Trade receivables	4,166	8,528	15,231	2,622	4,841
Other receivables	2,540	1,924	3,745	2,465	3,770
Tax recoverable	103	61	75	75	175
Fixed deposits with licensed banks	984	154	2,740	4,198	4,896
Cash and bank balances	2,799	7,244	14,510	6,291	9,827
Total current assets	**12,777**	**19,885**	**38,385**	**18,095**	**26,698**
TOTAL ASSETS	**14,652**	**22,873**	**41,350**	**21,228**	**29,477**
EQUITY AND LIABILITIES					
Equity					
Share capital	2,229	2,705	2,705	2,705	3,043
Reserves	(50)	176	(57)	198	(395)
Retained earnings	8,805	10,630	16,647	9,119	16,157
Equity attributable to owners of the parent	**10,984**	**13,511**	**19,295**	**12,022**	**18,805**
Non-controlling interests	206	217	252	223	243
Total equity	**11,190**	**13,728**	**19,547**	**12,245**	**19,048**

10. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	As at 31 December			As at 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Other payables	298	-	-	-	-
Finance lease payables	12	-	-	-	-
Bank borrowings	-	1,644	1,995	2,344	1,800
Total non-current liabilities	**310**	**1,644**	**1,995**	**2,344**	**1,800**
Current liabilities					
Trade payables	1,475	2,316	8,198	1,462	751
Other payables	1,606	4,813	10,776	4,644	7,272
Amount due to customer on contract[2]	-	-	271	-	-
Finance lease payables	15	12	-	7	-
Bank borrowings	23	356	553	524	569
Tax payable	33	4	10	2	37
Total current liabilities	**3,152**	**7,501**	**19,808**	**6,639**	**8,629**
Total liabilities	**3,462**	**9,145**	**21,803**	**8,983**	**10,429**
TOTAL EQUITY AND LIABILITIES	**14,652**	**22,873**	**41,350**	**21,228**	**29,477**
Number of Securemetric Shares in issue					
- After Restructuring[3] ('000)	175,600	175,600	175,600	175,600	175,600
- After Restructuring and Public Issue[4] ('000)	243,600	243,600	243,600	243,600	243,600
NA	**10,984**	**13,511**	**19,295**	**12,022**	**18,805**
NA per ordinary share (sen)					
- After Restructuring[3]	6.3	7.7	11.0	6.8	10.7
- After Restructuring and Public Issue[4]	4.5	5.5	7.9	4.9	7.7

Development expenditure represents expenditure incurred for research and development for the centralised authentication management system (CENTAGATE®) which was developed in-house, and funded through a grant from the Government of Malaysia under Kementerian Sains, Teknologi and Inovasi (MOSTI). The expenditure incurred mainly consists of purchase of hardware and server, evaluation and certification project initiation cost, setup and implementation cost.

The increase in bank borrowings from FYE 31 December 2015 to FYE 31 December 2016 was due to the drawdown of RM2.0 million term loan from AmBank Islamic Berhad for working capital purposes. The increase in bank borrowings for FYE 31 December 2017 is due to the drawdown of RM1.0 million new term loan secured from Malayan Banking Berhad for working capital purposes.

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10. FINANCIAL INFORMATION (CONT'D)

Notes:

(1) Other investment (Non-current assets) represents investment in quoted shares and Other investment (Current assets) represents investment in unit trust.

(2) Amount due to customer on contract of which revenue and cost are recognised based on stage on completion by reference to the proportion of cost incurred to-date against the total estimated costs that reflect the service performed.

(3) Based on 175,600,000 issued Securemetric Shares, on the assumption that the Securemetric Group structure was in existence for the financial years/periods above (i.e. after Restructuring but before Public Issue).

(4) Based on 243,600,000 issued Securemetric Shares, on the assumption that the Securemetric Group structure was in existence for the financial years/periods above (i.e. after Restructuring and Public Issue).

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10. FINANCIAL INFORMATION (CONT'D)

10.2.2 Combined statements of profit or loss and other comprehensive income

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	16,978	24,753	44,767	6,329	6,970
Cost of sales	(7,724)	(11,984)	(23,524)	(3,584)	(2,997)
Gross profit	**9,254**	**12,769**	**21,243**	**2,745**	**3,973**
Other income	616	76	715	68	434
Administrative expenses	(6,807)	(8,457)	(15,501)	(4,324)	(4,740)
Finance costs	(7)	(2)	(255)	(91)	(74)
PBT/(LBT)	**3,056**	**4,386**	**6,202**	**(1,602)**	**(407)**
Taxation	(129)	(48)	(120)	97	(69)
PAT/(LAT)	**2,927**	**4,338**	**6,082**	**(1,505)**	**(476)**
Other comprehensive income					
Available-for-sale financial assets					
- current year/period gain	-	50	136	4	-
Exchange translation differences for foreign operations	296	194	(403)	15	(342)
Financial asset at fair value through other comprehensive income					
- current year/period loss	-	-	-	-	(18)
	296	244	(267)	19	(360)
Total comprehensive income	**3,223**	**4,582**	**5,815**	**(1,486)**	**(836)**
Profit/(Loss) attributable to:					
- Owners of the parent	2,864	4,345	6,016	(1,511)	(490)
- Non-controlling interests	63	(7)	66	6	14
	2,927	**4,338**	**6,082**	**(1,505)**	**(476)**
Total comprehensive income attributable to:					
- Owners of the parent	3,135	4,572	5,780	(1,492)	(827)
- Non-controlling interests	88	10	35	6	(9)
	3,223	**4,582**	**5,815**	**(1,486)**	**(836)**
EBITDA[1]	**3,179**	**4,519**	**6,997**	**(1,466)**	**(133)**
GP margin[2]	54.5	51.6	47.5	43.4	57.0
PBT/(LBT) margin[3] (%)	18.0	17.7	13.9	(25.3)	(5.8)
PAT/(LAT) margin[4] (%)	16.9	17.6	13.4	(23.9)	(7.0)
Number of Securemetric Shares in issue					
- After Restructuring ('000)	175,600	175,600	175,600	175,600	175,600
- After Restructuring and Public Issue ('000)	243,600	243,600	243,600	243,600	243,600
Basic and diluted EPS[5]					
- After Restructuring[6] (sen)	1.6	2.5	3.43	(0.9)	(0.3)
- After Restructuring and Public Issue[7] (sen)	1.2	1.8	2.47	(0.6)	(0.2)

10. FINANCIAL INFORMATION (CONT'D)

Notes:

* *Negligible*

(1) *EBITDA represents earnings before interest, taxation, depreciation and amortisation.*

Reconciliation of PBT/(LBT) to EBITDA	*Audited*			*Unaudited*	*Audited*
	FYE 31 December			*4M-FPE 30 April*	
	2015	*2016*	*2017*	*2017*	*2018*
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
PBT/(LBT)	***3,056***	***4,386***	***6,202***	***(1,602)***	***(407)***
Adjusted for:					
Amortisation expenses	-	-	*483*	-	*161*
Depreciation expenses	*151*	*176*	*203*	*55*	*90*
Interest expenses	*7*	*2*	*255*	*91*	*74*
Interest income	*(35)*	*(45)*	*(146)*	*(10)*	*(51)*
EBITDA	***3,179***	***4,519***	***6,997***	***(1,466)***	***(133)***

(2) *GP divided by total revenue.*

(3) *PBT/(LBT) divided by total revenue.*

(4) *PAT/(LAT) attributable to owners of the parent divided by total revenue.*

(5) *As at the LPD, there are no potential dilutive instruments issued or to be issued.*

(6) *PAT/(LAT) of our Group attributable to owners of the parent divided by 175,600,000 issued Securemetric Shares on the assumption that Securemetric Group structure was in existence for the financial years/periods above (i.e. after Restructuring but before Public Issue).*

(7) *PAT/(LAT) of our Group attributable to owners of the parent divided by 243,600,000 issued Securemetric Shares on the assumption that Securemetric Group structure was in existence for the financial years/periods above (i.e. after Restructuring and Public Issue).*

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10. FINANCIAL INFORMATION (CONT'D)

10.2.3 Combined statements of cash flows

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax	3,056	4,386	6,202	(1,602)	(407)
Adjustments for:					
- Amortisation of development expenditure	-	-	483	-	161
- Inventories written off	-	3	75	-	-
- Impairment losses on available-for-sale financial asset	174	-	-	-	-
- Depreciation of PPE	151	176	203	55	90
- Government grant income	-	-	(450)	-	(150)
- Finance costs	7	2	255	91	74
- Interest income	(35)	(45)	-	-	-
- Gain on disposal of other investment	-	-	(146)	(10)	(51)
- Loss/(Gain) on disposal of PPE	-	4	(1)	-	-
- Unrealised (gain)/loss on foreign exchange	(201)	(6)	335	175	(199)
- PPE written off	-	-	11	-	-
Operating profit/(loss) before working capital changes	3,152	4,520	6,967	(1,291)	(482)
Changes in working capital:					
- Inventories	(293)	209	(185)	(470)	(105)
- Receivables	(3,078)	(3,671)	(8,961)	5,167	10,501
- Payables	662	3,381	11,604	(1,574)	(11,022)
- Amount due to customer on contract	-	-	271	-	(271)
	(2,709)	(81)	2,729	3,123	(897)
Cash generated from/(used in) operations	**443**	**4,439**	**9,696**	**1,832**	**(1,379)**
Interest paid	(7)	(2)	(255)	(91)	(74)
Interest received	35	45	146	10	51
Tax paid	(154)	(12)	(126)	(22)	(208)
Exchange fluctuation adjustments	279	190	(383)	20	(323)
	153	221	(618)	(83)	(554)
Net cash from/(used in) operating activities	**596**	**4,660**	**9,078**	**1,749**	**(1,933)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Additional development expenditure	(1,324)	(1,006)	(87)	-	-
Payment for tax amnesty	-	-	3	3	-
Purchase of other investment	-	-	-	-	(1,000)
Purchase of PPE	(268)	(257)	(474)	(97)	(36)
Proceeds from disposal of PPE	-	1	2	-	-
Net cash used in investing activities	**(1,592)**	**(1,262)**	**(556)**	**(94)**	**(1,036)**

10. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of term loans	(65)	(23)	(452)	(132)	(179)
Drawdown of term loan	-	2,000	1,000	1,000	-
Proceeds from issuance of shares	140	-	-	-	338
Grant received	455	792	1,002	621	-
Dividends paid	-	(2,520)	-	-	-
(Increase)/Decrease in fixed deposits pledged	(3)	(69)	(2,586)	(2,444)	28
Repayment of finance lease liabilities	(14)	(15)	(12)	(5)	-
Net cash from/(used in) financing activities	**513**	**165**	**(1,048)**	**(960)**	**187**
Net (decrease)/increase in cash and cash equivalents	**(483)**	**3,563**	**7,474**	**695**	**(2,782)**
Effect of exchange translation differences on cash and cash equivalents	**114**	**(17)**	**(208)**	**(48)**	**283**
Cash and cash equivalents at the beginning of financial year/ period	**4,067**	**3,698**	**7,244**	**7,244**	**14,510**
Cash and cash equivalents at the end of financial year/ period	**3,698**	**7,244**	**14,510**	**7,891**	**12,011**
Cash and cash equivalents at the end of financial year/ period comprise:					
Cash and bank balances	2,799	7,244	14,510	6,291	9,827
Fixed deposits with licensed banks	984	154	2,740	4,198	4,896
	3,783	**7,398**	**17,250**	**10,489**	**14,723**
Less: Fixed deposits pledged with licensed banks	(85)	(154)	(2,740)	(2,598)	(2,712)
	3,698	**7,244**	**14,510**	**7,891**	**12,011**

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10. FINANCIAL INFORMATION (CONT'D)

10.3 Capitalisation and indebtedness

The following table sets out our pro forma consolidated cash and cash equivalents, capitalisation and indebtedness as at the LPD, adjusted for the effects of the Public Issue and utilisation of proceeds:

	As at the LPD	After the Public Issue and utilisation of proceeds[1]
	RM'000	RM'000
Cash and cash equivalents		
Cash and bank balances	10,253	16,258
Fixed deposits with licensed banks	5,023	4,896
Indebtedness		
Current:		
Secured and guaranteed		
Finance lease payables	-	-
Term loans	591	-
Non-current:		
Secured and guaranteed		
Term loans	1,552	-
Total indebtedness	**2,143**	-
Total indebtedness (including contingent liabilities)	**2,143**	-
Capitalisation		
Equity attributable to owners of the parent	**18,787**	**30,482**
Total capitalisation and indebtedness	**20,930**	**30,482**
Total capitalisation and indebtedness (including contingent liabilities)	**20,930**	**30,482**
Gearing ratio[2] (times)	**0.11**	-[3]

Notes:

(1) *We intend to use RM1.9 million to repay our borrowings, as detailed in* ***Section 3.8*** *of this Prospectus.*

(2) *Total indebtedness (total bank borrowings) divided by total capitalisation.*

(3) *No gearing as the Company has no borrowings subsequent to the repayment of borrowings from the IPO proceeds.*

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10.4 Management's discussion and analysis of financial condition and results of operations and prospects

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with the historical financial information set out in **Section 10.2** of this Prospectus, as well as the Accountants' Report set out in **Section 11** of this Prospectus. This discussion and analysis contains information derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors set out in **Section 4** of this Prospectus.

Overview

Securemetric is an investment holding company. Through its subsidiaries after the Restructuring, Securemetric Group would be principally involved in:

(a) the provision of digital security solutions which comprise software licensing protection dongles, 2FA, PKI and CENTAGATE®;

(b) the trading of electronic identification products; and

(c) other related services

As at the LPD, our Group has offices in Malaysia, Vietnam, the Philippines, Indonesia and Singapore. Our head office is located in Technology Park Malaysia, Bukit Jalil, Malaysia while our corporate offices are located in Vietnam, the Philippines and Indonesia to serve the respective local markets. We also have a virtual office in Singapore. **Section 5.8.2.1** of this Prospectus contains details on our operational locations.

Within our Group, Securemetric Malaysia is responsible for undertaking R&D for our Group's digital security solutions as well as being involved in sales and marketing. Securemetric Malaysia also serves as the main hub managing the export of our digital security solutions and electronic identification products to other countries.

Securemetric Vietnam, Securemetric Philippines and Securemetric Indonesia are primarily accountable for the implementation of the projects relevant to provision of digital security solutions and other related services within their respective countries as well as being responsible for the sales and marketing of our Group's electronic identification products. Softkey Indonesia and Securemetric Singapore only focus on the sales and marketing of our Group's electronic identification products and other related services in Indonesia and Singapore respectively.

Purchase orders received by the virtual office of Securemetric Singapore are executed by Securemetric Malaysia but billed by Securemetric Singapore.

Section 5.8 of this Prospectus contains our Group's detailed business overview.

10.4.1 Revenue

We are principally involved in the provision of digital security solutions as well as trading of electronic identification products, and other related services, as set out in **Section 5.8.1** of this Prospectus. Revenue from domestic and export sales are recognised based on the same revenue recognition policy. Sales returns are recognised upon goods being returned by customers.

Our revenue stream can be segregated into the following:

(i) Digital security solutions

Digital security solutions comprise software licensing protection dongles, 2FA, PKI and CENTAGATE®, and our off-the-shelf solutions, namely PKI IN A BOX and CENTAGATE® BOX. Our revenue for digital security solutions is divided into project sales (customised 2FA, PKI and CENTAGATE® solutions, and our off-the-shelf solutions) and order sales (software licensing protection dongles, OTP tokens and PKI tokens).

We recognise revenue for digital security solutions as follows:

(1) For project sales, revenue is recognised in the profit or loss based on the value of services performed and invoiced to customers or in proportion to the stage of completion of the transaction during the reporting period. The stage of completion is assessed by reference to the proportion that costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable; and

(2) For order sales, revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Electronic identification products

Our electronic identification products comprise smart cards, smart card readers, fingerprint readers and other products such as barcode scanners, barcode printers, card printers, proximity cards, UHF tags and middle/long range integrated readers.

Revenue relating to electronic identification products is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(iii) Other related services

Other related services mainly consist of maintenance services provided to the customers arising from the service level agreement following the completion of the projects, labelling and packaging services and others.

Revenue relating to other related services are recognised in the profit or loss based on the value of services performed and invoiced to customers during the reporting period.

Section 10.5.1 and **Section 10.5.3** of this Prospectus contains analysis of our Group's revenue, GP and GP margin.

Details of warranty claims are set out in **Section 5.8.1.1(i)** to **Section 5.8.1.1(iv)** and **Section 5.8.12** of this Prospectus and are recorded in administrative expenses as set out in **Section 10.5.5** of this Prospectus.

10.4.2 Cost of sales

Our cost of sales mainly comprises:

(a) cost of purchasing digital security solutions and electronic identification products, as follows:

(i) hardware (i.e. casings with printed circuit board and basic OS) for our proprietary software licensing protection dongles, OTP tokens and PKI tokens;
(ii) devices under third party brands (i.e. software licensing protection dongles, PKI appliances and HSMs);
(iii) PKI application software under third party brands (i.e. certification back-end authority system and digital signing software); and
(iv) electronic identification products.

As our Group does not manufacture any hardware (i.e. casings with printed circuit board and basic OS), we source them from third party manufacturers and install our software (i.e. firmware, middleware, software development kit) into our proprietary software licensing protection dongles, OTP tokens and PKI tokens.

(b) direct labour cost associated with the projects undertaken by our Group, labelling, packaging, shipping, maintenance fees for third party HSM and PKI appliances in relation to PKI as well as import duties and taxes incurred for the delivery of our products.

Section 10.5.2 of this Prospectus contains analysis of our Group's cost of sales.

10.4.3 Other income

Our other income mainly comprises:

(a) interest income earned from our deposits with licensed banks;
(b) gains on foreign exchange; and
(c) incentive from SME Corporation Malaysia under the 1-InnoCERT Insentif Innovation scheme. The 1-InnoCERT certification programme was initiated by SME Corporation Malaysia to promote and develop innovative companies in Malaysia and is aimed at fostering innovative enterprise through harnessing and intensifying home-grown innovations and R&D. Certified companies under the programme will be given fast-track access when applying for incentives to fund and market their products and services as offered by the Malaysian Government. Securemetric Malaysia was rated A for 1-InnoCERT rating in 2015 and was therefore entitled for an InnoCERT Insentif Innovation voucher for an amount of RM0.50 million.

Section 10.5.4 of this Prospectus contains analysis of our Group's other income.

10.4.4 Administrative expenses

Our Group's administrative expenses mainly comprise:

(a) salary and staff-related expenses;
(b) impairment loss on available-for-sale financial asset;
(c) office rental;
(d) loss on foreign exchange;
(e) professional fees;
(f) event expenses;
(g) travelling expenses;
(h) amortisation of development expenditure; and

(i) other expenses, consisting of utilities, printing and stationery, repairs and maintenance, stamp duties, taxes, depreciation of PPE, bank charges, warranty claims, entertainment as well as advertising and promotional expenses.

Section 10.5.5 of this Prospectus contains analysis of our Group's administrative expenses.

10.4.5 Finance costs

Our Group's finance costs comprise mainly term loan interest expenses and finance lease interest expenses. **Section 10.5.6** of this Prospectus contains analysis of our Group's finance costs.

10.4.6 Taxation

For the purpose of preparing and consolidating group accounts, tax provisions are made based on the following statutory tax rates:

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015 %	2016 %	2017 %	2017 %	2018 %
Group effective tax rate	4.2	1.1	*1.9*	*6.1*	-[1]
Statutory tax rate					
- Securemetric Malaysia[2]	25	24	24	24	24
- Securemetric Vietnam	22	22	22	22	22
- Securemetric Philippines	30	30	30	30	30
- Securemetric Indonesia[3]	1	1	1	1	25
- Securemetric Singapore	17	17	17	17	17
- Softkey Indonesia[4]	25	25	1	1	25

Notes:

(1) As the Group was in a tax loss position, effective tax rate was not applicable.

(2) As a MSC-Malaysia status company, Securemetric Malaysia is entitled to pioneer status incentives granted by the Ministry of International Trade and Industry for services under the Promotion of Investment Act, 1986 and it enjoyed income tax exemption on 100% of its statutory income derived from approved MSC activities for an initial 5-year period from 6 May 2008 to 5 May 2013. On 14 August 2013, MITI, through a letter issued by MIDA (an agency under MITI), granted approval for the pioneer status to be extended for an additional 5 years until 5 May 2018.

(3) In accordance with Indonesia Government Regulation No. 46/2013, companies with revenue of not more than IDR4.80 billion are subject to final tax at 1% on revenue. Securemetric Indonesia's revenue, for FYEs 31 December 2015-2017 and 4M-FPE 30 April 2018 was IDR3.30 billion, IDR3.62 billion, IDR8.88 billion and IDR2.17 billion, respectively. The tax rate at 1% of revenue is on the basis that the prior year's (i.e. FYE 31 December 2016) revenue did not exceed IDR4.80 billion. Based on Securemetric Indonesia's revenue of IDR8.88 billion for FYE 31 December 2017, Securemetric Indonesia will be subject to tax at the rate of 25% on its FYE 31 December 2018's PBT.

(4) Softkey Indonesia was subject to tax at the rate of 25% on its PBT for the FYEs 31 December 2015-2016. In accordance with Indonesia Government Regulation No. 46/2013, Softkey Indonesia calculated its income tax expense for FYE 31 December 2017 at the rate of 1% of revenue because its revenue for FYE 31 December 2016 was IDR2.9 billion and did not exceed IDR4.80 billion. The tax rate at 1% of revenue is on the basis that the prior year's (i.e. FYE 31 December 2016) revenue did not exceed IDR4.80 billion. Based on Softkey Indonesia's revenue of IDR5.70 billion for FYE 31 December 2017, Softkey Indonesia will be subject to tax at the rate of 25% on its FYE 31 December 2018's PBT.

Section 10.5.7 of this Prospectus contains analysis of our Group's taxation.

10. FINANCIAL INFORMATION (CONT'D)

10.5 Results of operations

The following is a segmental analysis of our financial results for the past 3 FYEs 31 December 2015 to 2017 as well as the 4M-FPEs 30 April 2017 and 30 April 2018 based on the assumption that our current Group structure has been in existence throughout the financial years/periods.

10.5.1 Segmental analysis of revenue

(i) Revenue by business activities

Revenue by business activities	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a) Digital security solutions										
- Software licensing protection dongles	3,864	*22.8*	4,365	*17.6*	3,452	*7.7*	1,165	*18.4*	1,064	*15.3*
- 2FA	948	*5.6*	1,452	*5.9*	1,013	*2.3*	188	*3.0*	231	*3.3*
- PKI	6,824	*40.2*	10,183	*41.1*	31,321	*70.0*	3,178	*50.2*	1,241	*17.8*
- CENTAGATE®	832	*4.9*	2,838	*11.5*	1,257	*2.8*	-	-	1,292	*18.5*
Subtotal	**12,468**	***73.5***	**18,838**	***76.1***	**37,043**	***82.8***	**4,531**	***71.6***	**3,828**	***54.9***
(b) Electronic identification products	3,573	*21.0*	4,335	*17.5*	5,880	*13.1*	1,625	*25.7*	1,821	*26.1*
(c) Others*	937	*5.5*	1,580	*6.4*	1,844	*4.1*	173	*2.7*	1,321	*19.0*
Total	**16,978**	***100.0***	**24,753**	***100.0***	**44,767**	***100.0***	**6,329**	***100.0***	**6,970**	***100.0***

Note:

* *Comprising mainly maintenance service charges (2015: RM0.85 million; 2016: RM1.45 million; 2017: RM1.66 million; 4M-FPE 30 April 2017: RM0.14 million and 4M-FPE 30 April 2018: RM1.27 million), courier, labelling (printing of stickers) and packaging charges (boxes).*

Digital security solutions have been our main revenue contributor, with RM12.47 million, RM18.84 million and RM37.04 million (representing 73.5%, 76.1% and 82.8% of our Group's revenue) for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively. Digital security solutions contributed RM4.53 million (71.6%) and RM3.83 million (54.9%) of our total revenues for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively, a decline of 15.5% between the two corresponding periods.

Our revenue from sales of **electronic identification products** grew from RM3.57 million for FYE 31 December 2015 to RM5.88 million for FYE 31 December 2017. Revenue from sales of electronic identification products increased by 11.7% from RM1.63 million in 4M-FPE 30 April 2017 to RM1.82 million in 4M-FPE 30 April 2018.

10. FINANCIAL INFORMATION (CONT'D)

FYE 31 December 2016 as compared to FYE 31 December 2015

Our revenue increased by 45.8% (from RM16.98 million to RM24.75 million) mainly due to higher revenue from:

(a) **digital security solutions**, which increased by 51.1% (from RM12.47 million to RM18.84 million) attributable to higher revenue from PKI and CENTAGATE®.

Revenue from software licensing protection dongles increased by 13.2% (from RM3.86 million to RM4.37 million) primarily due to higher purchase orders for software licensing protection dongles from existing customers (an IT service provider in Malaysia and a software development company in Singapore) (2015: RM0.15 million; 2016: RM0.44 million, on an aggregate basis). We also received a high purchase volume for software licensing protection dongles from a new customer (a software development company in Saudi Arabia) (2015: Nil; 2016: RM0.53 million).

Revenue from 2FA increased by 52.6% (from RM0.95 million to RM1.45 million) primarily due to higher purchase volume for OTP tokens from an existing customer (an IT service provider in Myanmar) (2015: RM0.84 million; 2016: RM1.03 million) and from a new Malaysian customer.

Revenue from PKI increased by 49.3% (from RM6.82 million to RM10.18 million) primarily due to:

(i) work done for a project secured from a Vietnamese government institution, namely General Import and Export Van Xuan Corporation ("**VAXUCO**") during FYE 31 December 2016;

(ii) work done for a project secured from an Egyptian government agency, towards the end of FYE 31 December 2015; and

(iii) large orders for PKI tokens from a new Vietnamese customer (an IT service provider) which purchased our PKI tokens and supplied them to the certification authority in Vietnam. We also received large orders for our digital signing software from a new Thai customer (an IT service provider).

PKI is the highest revenue contributor, contributing 40.2% and 41.1% of our Group's revenue for FYE 31 December 2015 and FYE 31 December 2016, respectively.

Revenue from CENTAGATE® increased by 242.2% (from RM0.83 million to RM2.84 million), whereby we secured a CENTAGATE® project from Bank of the Philippine Islands in FYE 31 December 2016.

(b) **electronic identification products**, which increased by 21.6% (from RM3.57 million to RM4.34 million), attributable to higher purchase volume for smart card readers.

(c) **other revenue**, which increased by 68.1% (from RM0.94 million to RM1.58 million) primarily due to provision of maintenance service charges to our customers including an Egyptian government agency, for a PKI project.

FYE 31 December 2017 as compared to FYE 31 December 2016

Our revenue increased by 80.9% (from RM24.75 million to RM44.77 million) mainly due to higher revenue from:

(a) **digital security solutions**, which increased by 96.6% (from RM18.84 million to RM37.04 million) primarily due to work done for and completion of PKI projects secured from our Vietnamese customer VAXUCO, and also customers from Singapore, Hong Kong, Malaysia and Indonesia.

Revenue from software licensing protection decreased by 21.1% (from RM4.37 million to RM3.45 million) primarily due to the absence of reorders for dongles from our existing customer (a software development company in Saudi Arabia).

Revenue from 2FA decreased by 30.3% (from RM1.45 million to RM1.01 million) primarily due to lower reorder volume of OTP tokens from an existing customer (an IT service provider in Myanmar).

Revenue from PKI increased by 207.7% (from RM10.18 million to RM31.32 million) primarily due to PKI projects secured from five new customers (an online retailer and financial institution in Singapore, a data center provider in Hong Kong, an Indonesian government organisation and a public CA in Malaysia) as well as two existing customers (an IT service provider in Malaysia and VAXUCO). PKI project for VAXUCO was completed in October 2017. PKI is our highest revenue contributor, contributing 41.1% and 70.0% of our Group's revenue for FYE 31 December 2016 and FYE 31 December 2017 respectively.

Revenue from CENTAGATE® decreased by 55.6% (from RM2.84 million to RM1.26 million) primarily due to lesser billing to Bank of the Philippine Islands for the CENTAGATE® project. For FYE 31 December 2017, our revenue is mainly contributed by new projects from PT Anabatic Technologies Tbk, as well as from Bank of the Philippine Islands.

(b) **electronic identification products**, which increased by 35.5% (from RM4.34 million to RM5.88 million), mainly due to higher purchase volume for smart card readers by two existing customers (a software development company and telecommunication provider in Malaysia) and two new customers (an IT service provider and entertainment provider in the Philippines).

(c) **other revenue**, increased by 16.5% (from RM1.58 million to RM1.84 million), mainly contributed by maintenance service agreements for CENTAGATE® projects from PT Anabatic Technologies Tbk, as well as from Bank of the Philippine Islands.

10. FINANCIAL INFORMATION (CONT'D)

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Our revenue increased by 10.1% (from RM6.33 million to RM6.97 million) mainly due to higher revenue from:

(a) **digital security solutions**, which decreased by 15.5% (from RM4.53 million to RM3.83 million) primarily due to absence of re-order of PKI token from existing customers (an IT service provider and a public CA in Vietnam) and completion of a PKI solution in February 2017 for a new customer secured in December 2016 (an IT service provider in Thailand).

Revenue from software licensing protection dongles decreased by 9.4% (from RM1.17 million to RM1.06 million) primarily due to the absence of reorders for dongles from an existing customer (an IT service provider in Malaysia) (4M-FPE 30 April 2018: RM Nil; 4M-FPE 30 April 2017: RM0.13 million).

Revenue from 2FA increased by 21.1% (from RM0.19 million to RM0.23 million) primarily due to higher reorder volume of OTP tokens from an existing customer (an IT service provider in Indonesia).

Revenue from PKI decreased by 61.0% (from RM3.18 million to RM1.24 million) primarily due to absence of re-order of PKI tokens from existing customers (an IT service provider and a public CA in Vietnam) and completion of a PKI solution for an existing customer (an IT service provider in Thailand).

Revenue from CENTAGATE® of RM1.29 million in 4M-FPE 30 April 2018 (4M-FPE 30 April 2017: RM Nil) was contributed by the Bank of the Philippine Islands and a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions) to a newly secured customer (an IT service provider in Canada).

(b) **electronic identification products**, which increased by 11.7% (from RM1.63 million to RM1.82 million), mainly due to higher purchase volume for printers from an existing customer (an IT service provider from Indonesia).

(c) **other revenue**, which increased by 676.5% (from RM0.17 million to RM1.32 million) primarily due to provision of maintenance service charges to a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in Philippines.

10. FINANCIAL INFORMATION (CONT'D)

(ii) Revenue by companies

Revenue by companies	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Securemetric Malaysia	10,153	*59.7*	13,072	*52.8*	30,812	68.8	2,833	*44.8*	3,293	*47.3*
Securemetric Vietnam	2,550	*15.0*	4,401	*17.8*	5,065	11.3	1,738	*27.5*	689	*9.9*
Securemetric Philippines	1,097	*6.5*	2,915	*11.8*	1,586	3.5	72	*1.1*	743	*10.6*
Securemetric Indonesia	963	*5.7*	1,124	*4.5*	2,822	6.3	342	*5.4*	616	*8.8*
Securemetric Singapore	490	*2.9*	2,342	*9.5*	2,674	6.0	1,014	*16.0*	953	*13.7*
Softkey Indonesia	1,725	*10.2*	899	*3.6*	1,808	4.1	330	*5.2*	676	*9.7*
Total	**16,978**	***100.0***	**24,753**	***100.0***	**44,767**	***100.0***	**6,329**	***100.0***	**6,970**	***100.0***

Our Group's revenue grew from RM16.98 million for FYE 31 December 2015 to RM44.77 million for FYE 31 December 2017, constituting a growth of 163.7% over the period. Our Group's revenue increased from RM6.33 million for 4M-FPE 30 April 2017 to RM6.97 million for the 4M-FPE 30 April 2018, an increase of 10.1% between the two corresponding periods.

(iii) Revenue by customer types

Revenue by customer type	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Government organisations	914	*5.4*	4,234	*17.1*	18,265	*40.8*	27	*0.4*	55	*0.8*
Financial institutions	672	*4.0*	3,239	*13.1*	5,856	*13.1*	206	*3.3*	419	*6.0*
Public certification authorities	1,197	*7.0*	3,459	*14.0*	2,769	*6.2*	1,148	*18.1*	203	*2.9*
Software development companies	5,449	*32.1*	7,667	*31.0*	6,994	*15.6*	2,278	*36.0*	2,214	*31.8*
IT service providers	7,293	*43.0*	3,866	*15.6*	7,155	*16.0*	2,218	*35.1*	2,255	*32.3*
Others[1]	516	*3.0*	708	*2.8*	1,884	*4.2*	279	*4.4*	503	*7.2*
Other related services[2]	937	*5.5*	1,580	*6.4*	1,844	*4.1*	173	*2.7*	1,321	*19.0*
Total	**16,978**	***100.0***	**24,753**	***100.0***	**44,767**	***100.0***	**6,329**	***100.0***	**6,970**	***100.0***

Notes:

(1) Including mainly telecommunication provider, club house, property developer, school, manufacturer which are not major contributor to our Group's revenue.

(2) Comprising mainly maintenance service charges, courier, labelling and packaging charges.

10. FINANCIAL INFORMATION (CONT'D)

(iv) Revenue by countries

Revenue by countries	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	**4,343**	***25.6***	**4,107**	***16.6***	**5,443**	***12.2***	**1,601**	***25.3***	**1,017**	***14.6***
Overseas markets										
- Vietnam	2,825	*16.6*	6,705	*27.1*	22,086	*49.3*	1,833	*29.0*	861	*12.4*
- The Philippines	1,097	*6.5*	2,956	*11.9*	1,488	*3.3*	72	*1.1*	743	*10.7*
- Indonesia	2,688	*15.8*	2,023	*8.2*	4,630	*10.3*	672	*10.6*	1,292	*18.5*
- Singapore	188	*1.1*	405	*1.6*	5,048	*11.3*	120	*1.9*	420	*6.0*
- USA	1,066	*6.3*	2,702	*10.9*	2,933	*6.6*	1,099	*17.4*	1,062	*15.2*
- Canada	-	-	-	-	-	-	-	-	980	*14.1*
- Others*	4,771	*28.1*	5,855	*23.7*	3,139	*7.0*	932	*14.7*	595	*8.5*
Subtotal	**12,635**	***74.4***	**20,646**	***83.4***	**39,324**	***87.8***	**4,728**	***74.7***	**5,953**	***85.4***
Total	**16,978**	***100.0***	**24,753**	***100.0***	**44,767**	***100.0***	**6,329**	***100.0***	**6,970**	***100.0***

Note:

* *Including Myanmar, Thailand, China (including Hong Kong and Macau), Egypt, Sweden, Switzerland, Germany, India, Italy, Netherlands, Spain, Turkey and United Kingdom with no single individual country contributing more than 10% of total revenue for FYE 31 December 2015 to FYE 31 December 2017 and 4M-FPE 30 April 2018 consecutively.*

Revenue from each geographical location fluctuates depending on the level of demand and geographical locations of customers secured by our Group in a particular year.

While Malaysia is our major market, the last few years have seen significant revenue contribution from overseas markets primarily Vietnam, the Philippines, Indonesia and USA. Revenue from overseas markets grew from RM12.64 million for FYE 31 December 2015 to RM39.32 million for FYE 31 December 2017. Revenue derived from overseas markets increased by 25.8% from RM4.73 million in the 4M-FPE 30 April 2017 to RM5.95 million for 4M-FPE 30 April 2018.

Revenue from overseas markets has been increasing for the financial years and periods under review. Vietnam, the Philippines, Indonesia, Singapore, USA and Canada have been the largest contributors, collectively contributing 46.3%, 59.7% and 80.8% to our Group's overseas markets revenue for each of the past 3 financial years up to FYE 31 December 2017. These markets contributed 60.0% and 76.9% to our Group's overseas markets revenue for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively.

FYE 31 December 2016 as compared to FYE 31 December 2015

Our Malaysian revenue declined by 5.3% (from RM4.34 million to RM4.11 million) due to the completion of a PKI project in Sabah secured in 2015 for RM0.46 million. There were no major PKI projects secured in 2016. The decrease in Malaysian revenue was compensated by the 63.4% increase in overseas revenue (from RM12.64 million to RM20.65 million). The increase are mainly due to higher revenue from:

(a) Myanmar, due to higher purchase volume for OTP tokens from an existing customer (an IT service provider in Myanmar);

(b) Vietnam, due to a new PKI project secured from VAXUCO, as well as higher purchase volume for PKI tokens from a new customer (an IT service provider in Vietnam) and an existing customer (a public CA in Vietnam);

(c) the Philippines, due to work done for a CENTAGATE® project with Bank of the Philippine Islands in FYE 31 December 2016;

(d) USA, due to a full year's worth of orders for smart card readers in 2016, compared to only the final five months' worth of orders for 2015;

(e) Egypt, due to work done for a PKI project with an Egyptian government agency at the end of FYE 31 December 2015; and

(f) Thailand, due to the sale of a PKI project to PETA Distribution Co., Ltd.

FYE 31 December 2017 as compared to FYE 31 December 2016

Malaysia contributed RM4.11 million (16.6%) and RM5.44 million (12.2%) to our Group's total revenue for FYE 31 December 2016 and FYE 31 December 2017 respectively. The increase in revenue between the two periods was mainly due to higher reorder volume for OTP and PKI tokens.

Revenue from overseas markets increased by 90.4% (from RM20.65 million to RM39.32 million), contributed by:

(a) Vietnam, due to the billings of PKI project secured from VAXUCO, a Vietnamese government institution, which was completed in October 2017 as well as higher purchase volume for PKI tokens from an existing customer (a public CA in Vietnam);

(b) Indonesia, due to a new CENTAGATE® project secured from a bank, a new PKI project secured from a government organisation and higher reorder of smart card readers from PT Len Industries;

(c) Singapore, due to a new PKI project secured from a financial institution in Singapore; and

(d) USA, due to increased re-orders for smart card readers by Thursby.

10. FINANCIAL INFORMATION (CONT'D)

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Malaysia contributed RM1.60 million (25.3%) and RM1.02 million (14.6%) to our Group's total revenue for 4M-FPE 31 April 2017 and 4M-FPE 31 April 2018 respectively. The decrease in revenue between the two periods was mainly due to lower reorder volume for software licensing protection dongles, OTP and PKI tokens.

Revenue from overseas markets increased by 25.8% (from RM4.73 million to RM5.95 million), contributed by:

(a) The Philippines, due to final billing issued and renewal of support and maintenance for the CENTAGATE® project with Bank of the Philippine Islands and renewal of PKI support and maintenance with a government agency;

(b) Indonesia, due to support and maintenance of CENTAGATE® project secured from PT Anabatic Technologies Tbk, higher reorder volume of smart card readers and OTP tokens from an IT service provider and billings issued for a PKI project with a government organisation; and

(c) Canada, due to a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions) to an IT service provider.

However, the increase in revenue was partly offset by the decrease from Vietnam due to absence of re-order of PKI tokens from existing customers (an IT service provider and a public CA).

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10. FINANCIAL INFORMATION (CONT'D)

10.5.2 Segmental analysis of cost of sales

(i) Cost of sales by business activities

Cost of sales by business activities	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a) Digital security solutions										
- Software licensing protection dongles	1,164	*15.1*	1,465	*12.2*	1,162	*4.9*	404	*11.3*	365	*12.2*
- 2FA	653	*8.5*	1,049	*8.8*	579	*2.5*	138	*3.8*	105	*3.5*
- PKI	2,939	*38.1*	3,611	*30.1*	16,189	*68.8*	1,432	*40.0*	527	*17.6*
- CENTAGATE®	-	-	1,128	*9.4*	214	*0.9*	-	-	-	-
Subtotal	**4,756**	***61.7***	**7,253**	***60.5***	**18,144**	***77.1***	**1,974**	***55.1***	**997**	***33.3***
(b) Electronic identification products	1,695	*21.9*	3,179	*26.5*	3,974	*16.9*	1,236	*34.5*	1,254	*41.8*
(c) Others*	1,273	*16.4*	1,552	*13.0*	1,406	*6.0*	374	*10.4*	746	*24.9*
Total	**7,724**	***100.0***	**11,984**	***100.0***	**23,524**	***100.0***	**3,584**	***100.0***	**2,997**	***100.0***

Note:

* *Comprising maintenance services charges (2015: RM0.48 million; 2016: RM0.59 million; 2017: RM0.39 million; 4M-FPE 30 April 2017: RM0.07 million and 4M-FPE 30 April 2018: RM0.36 million), direct labour cost (payroll cost for project management and support), labelling (printing of stickers) and packaging (cost incurred to purchase boxes), shipping (e.g. courier cost) and import taxes incurred by our Group related to projects.*

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10. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales by companies

Cost of sales by companies	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Securemetric Malaysia	6,481	*83.9*	9,160	*76.5*	19,359	*82.3*	2,713	*75.7*	1,579	*52.7*
Securemetric Vietnam	42	*0.5*	13	*0.1*	448	*1.9*	(208)*	*(5.8)*	140	*4.7*
Securemetric Philippines	(150)*	*(1.9)*	132	*1.1*	(7)*	*Negligible*	(22)*	*(0.6)*	4	*0.1*
Securemetric Indonesia	87	*1.1*	27	*0.2*	205	*0.9*	(13)*	*(0.4)*	75	*2.5*
Securemetric Singapore	456	*5.9*	2,192	*18.3*	2,576	*10.9*	957	*26.7*	893	*29.8*
Softkey Indonesia	808	*10.5*	460	*3.8*	943	*4.0*	157	*4.4*	306	*10.2*
Total	**7,724**	***100.0***	**11,984**	***100.0***	**23,524**	***100.0***	**3,584**	***100.0***	**2,997**	***100.0***

Note:

* *Consolidation adjustment (e.g. unrealised profit) in relation to inter-company transaction*

(iii) Cost of sales by countries

Cost of sales by countries	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	**2,264**	***29.3***	**2,517**	***21.0***	**3,387**	***14.4***	**792**	***22.1***	**670**	***22.4***
Overseas markets										
- Vietnam	1,853	*24.0*	2,572	*21.5*	13,201	*56.1*	1,034	*28.8*	480	*16.0*
- The Philippines	220	*2.8*	784	*6.5*	300	*1.3*	16	*0.5*	23	*0.8*
- Indonesia	1,183	*15.3*	919	*7.7*	1,636	*6.9*	265	*7.4*	595	*19.8*
- Singapore	75	*1.0*	183	*1.5*	1,285	*5.5*	52	*1.5*	118	*3.9*
- USA	687	*8.9*	2,275	*19.0*	2,599	*11.1*	979	*27.3*	913	*30.5*
- Canada	-	-	-	-	-	-	-	-	7	*0.2*
- Others	1,442	*18.7*	2,734	*22.8*	1,116	*4.7*	446	*12.4*	191	*6.4*
Subtotal	**5,460**	***70.7***	**9,467**	***79.0***	**20,137**	***85.6***	**2,792**	***77.9***	**2,327**	***77.6***
Total	**7,724**	***100.0***	**11,984**	***100.0***	**23,524**	***100.0***	**3,584**	***100.0***	**2,997**	***100.0***

10. FINANCIAL INFORMATION (CONT'D)

In tandem with our business growth, our Group's cost of sales grew from RM7.72 million in FYE 31 December 2015 to RM23.52 million in FYE 31 December 2017. Our Group's cost of sales decreased by 16.2% from RM3.58 million in 4M-FPE 30 April 2017 to RM3.00 million in 4M-FPE 30 April 2018.

Cost of sales represented 45.5%, 48.4% and 52.5% of our Group's revenue for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively. Cost of sales represented 56.6% and 43.0% of our Group's revenue for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively.

Our Group's cost of sales was mainly the cost of purchasing hardware, devices and application software. Most of our suppliers are foreign-based, with purchases from them being denominated in USD and Euro.

FYE 31 December 2016 as compared to FYE 31 December 2015

Our cost of sales increased by 55.2% (from RM7.72 million to RM11.98 million) as we purchase more hardware and third party devices to undertake PKI projects and CENTAGATE® project.

Cost of sales for **software licensing protection dongles** increased by 26.7% (from RM1.16 million to RM1.47 million) as a reflection of higher sales of dongles. Cost of sales for 2FA increased by 61.5% (from RM0.65 million to RM1.05 million) in line with higher sales of OTP tokens. Cost of sales for PKI was higher by 22.8% (from RM2.94 million to RM3.61 million) in tandem with higher sales of PKI tokens. In addition, we secured new PKI projects during both FYEs 31 December 2015 and 2016 and as a result, we purchased more hardware and devices to execute the PKI projects. We incurred cost of sales of RM1.13 million in relation to CENTAGATE® during FYE 31 December 2016 as we purchased hardware to execute a new CENTAGATE® project secured in the Philippines during the year. Note that in FYE 31 December 2015 we secured a contract from a Chinese customer, namely Feitian Technologies Co., Ltd, for us to provide one of the software (Adaptive Intelligence Scoring Engine, a risk scoring module) of CENTAGATE®, whereby no cost of sales was incurred as no devices were purchased to complete the module.

Cost of sales for **electronic identification products** grew by 87.1% (from RM1.70 million to RM3.18 million) in tandem with higher sales of smart card readers.

Other cost of sales was higher by 22.0% (from RM1.27 million to RM1.55 million) mainly due to labour cost incurred for the PKI projects and CENTAGATE® project as well as third party charges for the provision of maintenance service charges to a customer (an IT service provider in Thailand) and an Egyptian government agency.

10. FINANCIAL INFORMATION (CONT'D)

FYE 31 December 2017 as compared to FYE 31 December 2016

Our Group's cost of sales increased by 96.3% (from RM11.98 million to RM23.52 million) due to our additional purchase of third party devices for the execution of PKI projects as well as additional purchase of smart card readers in tandem with higher sales.

Cost of sales for **software licensing protection dongles** declined by 21.1% (from RM1.47 million to RM1.16 million) due to the absence of reorder for dongles from an existing customer (a software development company in Saudi Arabia). Cost of sales for 2FA declined by 44.8% (from RM1.05 million to RM0.58 million), as a reflection of lower sales of OTP tokens. Cost of sales for PKI grew by 348.5% (from RM3.61 million to RM16.19 million) with higher sales of PKI tokens. In addition, we have secured 4 new PKI projects from 4 new customers (an online retailer and financial institution in Singapore, an Indonesian government organisation and a public CA in Malaysia) and consequently, purchased additional hardware to execute the PKI projects. We also incurred customisation cost as VAXUCO required us to integrate additional digital security function into its existing system. Cost of sales for CENTAGATE® of RM0.21 million in FYE 31 December 2017 arose from our purchase of PKI devices (e.g. HSMs and PKI appliances) to execute the CENTAGATE® projects secured from Bank of the Philippine Islands and PT Anabatic Technologies Tbk during that period.

Cost of sales for **electronic identification products** was higher by 24.8% (from RM3.18 million to RM3.97 million), in tandem with higher sales of smart card readers.

Other cost of sales for FYE 31 December 2017 decreased by 9.0% (from RM1.55 million to RM1.41 million) due to decrease in maintenance services required by customers.

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Our Group's cost of sales decreased by 16.2% (from RM3.58 million to RM3.00 million) due to the absence of re-order for PKI token from existing customers (an IT service provider and a public CA in Vietnam) and PKI solution from a new customer (an IT service provider in Thailand).

However, this was partly offset by other cost of sales, which increased by 102.7% (from RM0.37 million to RM0.75 million) primarily due to provision of maintenance services to a financial institution in Singapore and VAXUCO.

10. FINANCIAL INFORMATION (CONT'D)

10.5.3 Segmental analysis of GP and GP Margin

(i) GP by business activities

GP by business activities	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a) Digital security solutions										
- Software licensing protection dongles	2,700	*29.2*	2,900	*22.7*	2,290	*10.8*	761	*27.7*	699	*17.6*
- 2FA	295	*3.2*	403	*3.2*	434	*2.0*	50	*1.8*	126	*3.1*
- PKI	3,885	*42.0*	6,572	*51.5*	15,132	*71.2*	1,746	*63.6*	714	*18.0*
- CENTAGATE®	832	*9.0*	1,710	*13.4*	1,043	*4.9*	-	-	1,292	*32.5*
Subtotal	**7,712**	***83.4***	**11,585**	***90.8***	**18,899**	***88.9***	**2,557**	***93.1***	**2,831**	***71.2***[4]
(b) Electronic identification products	1,878	*20.2*	1,156	*9.0*	1,906	*9.0*	389	*14.2*	567	*14.3*
(c) Others[1]	(336)[2]	*(3.6)*	28[2]	*0.2*	438	*2.1*	(201)[3]	*(7.3)*	575[2]	*14.5*
Total	**9,254**	***100.0***	**12,769**	***100.0***	**21,243**	***100.0***	**2,745**	***100.0***	**3,973**	***100.0***

Notes:

(1) The category of "others" aggregates expenses incurred for maintenance services charges, project-related direct labour cost, labelling (printing of stickers), courier and packaging (boxes), shipping and import taxes. Some of these expenses were not attributed to any revenue generation, thereby leading to negative GP.

(2) Overall GP for maintenance services charges has improved to partially offset packaging and courier charges, which increased at slower rate than the maintenance services charges.

(3) Negative GP mainly due to higher cost of labelling (printing of stickers), packaging (cost incurred to purchase boxes), project-related direct labour cost and courier services.

(4) The decrease in GP (in percentage) is due to the absence of re-order of PKI tokens from existing customers (an IT service provider and a public CA in Vietnam) and completion of a PKI solution for an existing customer (an IT service provider in Thailand).

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10. FINANCIAL INFORMATION (CONT'D)

(ii) GP by companies

GP by companies	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Securemetric Malaysia	3,672	*39.6*	3,912	*30.6*	11,453	*53.9*	120	*4.4*	1,714	*43.2*
Securemetric Vietnam	2,508	*27.1*	4,388	*34.4*	4,617	*21.7*	1,946	*70.9*	549	*13.8*
Securemetric Philippines	1,247	*13.5*	2,783	*21.8*	1,593	*7.5*	94	*3.4*	739	*18.6*
Securemetric Indonesia	876	*9.5*	1,097	*8.6*	2,617	*12.3*	355	*12.9*	541	*13.6*
Securemetric Singapore	34	*0.4*	150	*1.2*	98	*0.5*	57	*2.1*	60	*1.5*
Softkey Indonesia	917	*9.9*	439	*3.4*	865	*4.1*	173	*6.3*	370	*9.3*
Total	**9,254**	***100.0***	**12,769**	***100.0***	**21,243**	***100.0***	**2,745**	***100.0***	**3,973**	***100.0***

(iii) GP by customer types

Our Group's GP by customer types is as follows:

GP by customer types	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Government organisations	659	*7.1*	3,314	*26.0*	7,027	*33.1*	23	*0.8*	39	*1.0*
Financial institutions	472	*5.1*	1,858	*14.6*	5,246	*24.7*	87	*3.2*	272	*6.9*
Public certification authorities	487	*5.2*	743	*5.8*	1,089	*5.1*	244	*8.9*	57	*1.4*
Software development companies	2,708	*29.3*	4,562	*35.7*	1,474	*6.9*	391	*14.2*	851	*21.4*
IT service providers	5,115	*55.3*	2,060	*16.1*	3,954	*18.6*	1,288	*46.9*	1,717	*43.2*
Others[1]	149	*1.6*	204	*1.6*	2,015	*9.5*	913	*33.3*	462	*11.6*
Other related services[2]	(336)	*(3.6)*	28[3]	*0.2*	438	*2.1*	(201)	*(7.3)*	575[3]	*14.5*
Total	**9,254**	***100.0***	**12,769**	***100.0***	**21,243**	***100.0***	**2,745**	***100.0***	**3,973**	***100.0***

10. FINANCIAL INFORMATION (CONT'D)

Notes:

(1) Including mainly telecommunication provider, club house, property developer, school, manufacturer which are not major contributor to our Group's GP.

(2) The category of "other related services" aggregates expenses incurred for maintenance services charges, project-related direct labour cost, labelling (printing of stickers), courier and packaging (boxes), shipping and import taxes. Some of these expenses were not attributed to any revenue generation, thereby leading to negative GP.

(3) Overall GP for maintenance services charges has improved to partially offset packaging and courier charges, which increased at slower rate than the maintenance services charges.

(iv) GP by countries

GP by countries	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	2,079	*22.5*	1,590	*12.5*	2,056	*9.7*	809	*29.5*	347	*8.7*
Overseas markets										
- Vietnam	972	*10.5*	4,133	*32.4*	8,885	*41.8*	799	*29.1*	381	*9.6*
- The Philippines	877	*9.4*	2,172	*17.0*	1,188	*5.6*	56	*2.0*	720	*18.1*
- Indonesia	1,505	*16.3*	1,104	*8.7*	2,994	*14.1*	407	*14.8*	697	*17.5*
- Singapore	113	*1.2*	222	*1.7*	3,763	*17.7*	68	*2.5*	302	*7.6*
- USA	379	*4.1*	427	*3.3*	334	*1.6*	120	*4.4*	149	*3.8*
- Canada	-	-	-	-	-	-	-	-	973	*24.5*
- Others*	3,329	*36.0*	3,121	*24.4*	2,023	*9.5*	486	*17.7*	404	*10.2*
Subtotal	**7,175**	***77.5***	**11,179**	***87.5***	**19,187**	***90.3***	**1,936**	***70.5***	**3,626**	***91.3***
Total	**9,254**	***100.0***	**12,769**	***100.0***	**21,243**	***100.0***	**2,745**	***100.0***	**3,973**	***100.0***

Note:

* *Including Myanmar, Thailand, China (including Hong Kong and Macau), Egypt, Sweden, Switzerland, Germany, India, Italy, Netherlands, Spain, Turkey and United Kingdom.*

10. FINANCIAL INFORMATION (CONT'D)

(v) GP margin by business activities

GP margin by business activities (on average basis)	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	%	%	%	%	%
(a) Digital security solutions	61.9	61.5	51.0	56.4	74.0
- Software licensing protection dongles	69.9	66.4	66.3	65.3	65.7
- 2FA	31.1	27.8	42.8	26.6	54.6
- PKI	56.9	64.5	48.3	54.9	57.5
- CENTAGATE®	100.0[1]	60.3	83.0	-	100.0[4]
(b) Electronic identification products	52.6	26.7	32.4	23.9	31.1
(c) Others	(35.9)[2]	1.8[2]	23.8	(116.2)[3]	43.5[2]
Overall	**54.5**	**51.6**	**47.5**	**43.4**	**57.0**

Notes:

(1) Revenue attributable to CENTAGATE® for 2015 was only in relation to a one-time supply of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions, to Feitian Technologies Co., Ltd. The attributable GP margin was therefore 100% as there was no cost of sales relevant to the module other than payroll cost which was accounted as administrative expenses.

(2) Overall GP margin for maintenance services charges had improved to partially offset packaging and courier charges, which increased at slower rate than maintenance services charges.

(3) Negative GP margin mainly due to higher cost of labelling (printing of stickers), packaging (cost incurred to purchase boxes), project-related direct labour cost and courier services.

(4) Revenue attributable to CENTAGATE® for 4M-FPE 30 April 2018 was only in relation to a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions), to a new customer (an IT service provider in Canada). The attributable GP margin was therefore 100% as there was no cost of sales relevant to the module other than payroll cost which was accounted as administrative expenses.

10. FINANCIAL INFORMATION (CONT'D)

GP margin by companies

GP margin by companies	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	%	%	%	%	%
Securemetric Malaysia	50.4	52.4	37.2	4.2[(1)]	52.1
Securemetric Vietnam	26.9	22.4	91.2	112.0	79.7
Securemetric Philippines	52.0	27.0	100.4	130.6	99.5
Securemetric Indonesia	47.6	45.2	92.7	103.8	87.8
Securemetric Singapore	6.9	6.3	3.7	5.6	6.3
Softkey Indonesia	53.2	49.6	47.8	52.4	54.7
Overall GP margin	**54.5**	**51.6**	**47.5**	**43.4**	**57.0**

Note:

(1) Lower GP margin by Securemetric Malaysia was mainly due to the absence of revenue from CENTAGATE® in 4M-FPE 30 April 2017 and higher cost of labelling (printing of stickers), packaging (cost incurred to purchase boxes) and courier services. However, in 4M-FPE 30 April 2018, Securemetric Malaysia recorded a revenue in relation to a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions), to a new customer (an IT service provider in Canada).

Our GP grew from RM9.25 million in FYE 31 December 2015 to RM21.24 million in FYE 31 December 2017. Our GP increased from RM2.75 million in 4M-FPE 30 April 2017 to RM3.97 million in 4M-FPE 30 April 2018.

Our GP margin by main business activities (excluding others) ranged between 23.9% and 100.0% during the financial years/periods under review. Our GP margin variances were mainly due to the following:

(a) declining GP margin for 2FA except for FYE 31 December 2017 as the market has many providers with highly competitive pricing. Increased GP margin for FYE 31 December 2017 is mainly due to the supply of OTP tokens, with higher GP margin, to an existing customer in Malaysia. Higher GP margin for 4M-FPE 30 April 2018 was earned from supplying of OTP tokens and back-end authentication software to an existing customer (an IT service provider in Indonesia);

(b) high GP margin for PKI projects and CENTAGATE® projects as these projects involved customisation, installation and consultancy services for the integration of PKI or CENTAGATE® solution into the customers' existing systems as well as provision of training to customers, resulting in relatively higher margin for the value added; and

(c) cost of purchasing third party devices and application software had not significantly increased for the financial years/periods under review because of our long-term relationship with our suppliers and our track record as a good paymaster.

FYE 31 December 2016 as compared to FYE 31 December 2015

Our GP increased by 38.0% (from RM9.25 million to RM12.77 million) mainly due to:

(a) a new PKI project secured from a Vietnamese government institution, namely VAXUCO; and

(b) CENTAGATE® project with Bank of the Philippine Islands.

Our Group's GP margin for FYE 31 December 2016 fell from 54.5% to 51.6% (a decrease of 2.9%), mainly due to:

(a) lower GP margin for our CENTAGATE® project due to the purchase of PKI devices (e.g. HSMs and PKI appliances) to undertake the CENTAGATE® project in FYE 31 December 2016. Note that in FYE 31 December 2015 we generated revenue from a Chinese customer, namely Feitian Technologies Co., Ltd, for us to provide one of the software (Adaptive Intelligence Scoring Engine, a risk scoring module) of CENTAGATE®, whereby no cost of sales was incurred as no devices were purchased to complete the module. Hence, the GP margin was 100% for FYE 31 December 2015;

(b) lower selling price of PKI solutions to a Thai IT service provider. Despite the increase in GP margin for PKI, the Group's overall GP margin was lower in FYE 31 December 2016 as the Thai IT service provider was in a position to successfully negotiate a higher margin for itself as our customer, because the Thai IT service provider had managed to secure a project with a Thai government institution;

(c) lower selling price of 2FA device (i.e. OTP tokens) due to competitive pricing in the market while the cost per unit remains the same; and

(d) lower GP margin for our electronic identification products mainly due to lower selling price of smart card readers supplied to a customer (a software development company in USA) due to competitive pricing in the market while the cost per unit remains the same.

FYE 31 December 2017 as compared to FYE 31 December 2016

Our GP was higher by 66.3% (from RM12.77 million to RM21.24 million), mainly due to higher GP generated from a PKI project in Singapore, PKI project for VAXUCO from Vietnam and CENTAGATE® projects from Indonesia (aggregate increase from RM8.28 million to RM16.18 million) despite an increase in cost of sales (increased from an aggregate of RM4.74 million to RM16.40 million).

Our Group's GP margin decreased from 51.6% to 47.5%, primarily due to a PKI project, which represented a major billing (37.9% of the Group's revenue for FYE 31 December 2017) for us, having contributed a lower project GP margin, which led to an overall decrease in the PKI GP margin and overall GP margin. The decrease in our Group's GP margin is partially offset by the higher GP margin arising from the higher selling price of our 2FA (i.e. OTP tokens) sold to a financial institution in Malaysia and our CENTAGATE® project with a newly secured customer (an IT service provider in Indonesia).

10. FINANCIAL INFORMATION (CONT'D)

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Our GP was higher by 44.4% (from RM2.75 million to RM3.97 million), mainly due to higher GP generated from the provision of a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions) to a new customer (an IT service provider in Canada) as well as higher GP generated from provision of maintenance service charges to mainly a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines. However, the increase in GP was partly offset with the decrease in PKI due to the absence of re-order of PKI tokens from existing customers (an IT service provider and a public CA in Vietnam) and PKI solution from a new customer (an IT service provider in Thailand).

Our Group's GP margin increased from 43.4% to 57.0% mainly due to the followings:

(a) higher selling price of 2FA devices (i.e. OTP tokens) and 2FA application software (i.e. back-end authentication software) to an existing customer (an IT service provider in Indonesia);

(b) higher GP margin for the provision of a one-time supply of customised CENTAGATE® software (inclusive of an Adaptive Intelligence Scoring Engine, a risk scoring software of CENTAGATE® solutions) to a new customer (an IT service provider in Canada) whereby no cost of sales was incurred as no devices were purchased to complete the module. Hence, GP margin was 100% for 4M-FPE 30 April 2018; and

(c) higher GP margin for the provision of maintenance service charges to a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines which the cost in providing maintenance services remains low.

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10. FINANCIAL INFORMATION (CONT'D)

10.5.4 Other income

Other income	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	35	*5.7*	45	*59.2*	146	*20.5*	10	*14.7*	51	*11.7*
Gain on foreign exchange	324	*52.6*	6	*7.9*	-	-	52	*76.5*	199	*45.9*
Gain on disposal of property, plant and equipment	-	-	-	-	1	*0.1*	-	-	-	-
Incentive received	256	*41.5*	-	-	118	*16.5*	-	-	13	*3.0*
Government grant income	-	-	-	-	450	*62.9*	-	-	150	*34.6*
Miscellaneous	1	*0.2*	25	*32.9*	-	-	6	*8.8*	21	*4.8*
Total	**616**	***100.0***	**76**	***100.0***	**715**	***100.0***	**68**	***100.0***	**434**	***100.0***

Other income constituted 3.6%, 0.3% and 1.6% of our revenue for FYEs 31 December 2015, 31 December 2016 and 31 December 2017, respectively. Other income constituted 1.1% and 6.2% of our Group's revenue for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively. For the FYEs and FPEs under review, gain on disposal of PPE represents one-off income for the Group.

FYE 31 December 2016 as compared to FYE 31 December 2015

Other income decreased by 87.1% (from RM0.62 million to RM0.08 million) due to lower unrealised gain on foreign exchange as USD was weaker against RM in 2016 compared to 2015. There was no realised foreign exchange gain and no incentive received from SME Corporation Malaysia as we did not submit any claims during FYE 31 December 2016. For information purpose, as at the LPD we have received RM0.39 million incentive from SME Corporation Malaysia under the 1-InnoCERT Insentif Innovation scheme for which we are entitled for a RM0.50 million voucher with an expiry date of 14 December 2018.

FYE 31 December 2017 as compared to FYE 31 December 2016

Other income increased from RM0.08 million to RM0.72 million mainly due to the RM0.12 million incentive received from SME Corporation Malaysia and the recognition of government grant income amounting to RM0.45 million. Government grant income refers to government grant received from the Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("**MOSTI**") for our new technology project research and development activities (i.e CENTAGATE®). The grant is to be recognised over the useful life of five years starting from FYE 31 December 2017.

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Other income increased from RM0.07 million to RM0.43 million mainly due to higher foreign exchange gain as USD was stronger against RM as well as the recognition of government grant income amounting to RM0.15 million.

10. FINANCIAL INFORMATION (CONT'D)

10.5.5 Administrative expenses

Administrative expenses	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Salaries and staff-related expenses	4,083	*60.0*	5,399	*63.8*	6,684	*43.1*	2,431	*56.2*	2,803	*59.1*
Impairment loss on available-for-sale financial asset	174	*2.6*	-	-	-	-	-	-	-	-
Office rental	336	*4.9*	401	*5.1*	435	*2.8*	147	*3.4*	137	*2.9*
Loss on foreign exchange	-	-	86	*1.0*	713	*4.6*	175	*4.1*	483	*10.2*
Professional fees	208	*3.1*	511	*6.0*	4,155	*26.8*	762	*17.6*	61	*1.3*
Event expenses	192	*2.8*	92	*1.1*	399	*2.6*	5	*0.1*	54	*1.1*
Travelling expenses	730	*10.7*	728	*8.6*	850	*5.5*	289	*6.7*	260	*5.5*
Amortisation of development expenditure	-	-	-	-	483	*3.1*	-	-	161	*3.4*
Others*	1,084	*15.9*	1,240	*14.8*	1,782	*11.5*	515	*11.9*	781	*16.5*
Total	**6,807**	***100.0***	**8,457**	***100.0***	**15,501**	***100.0***	**4,324**	***100.0***	**4,740**	***100.0***

Note:

* *Comprising mainly utilities, printing and stationery, repairs and maintenance, stamp duties, taxes, depreciation of PPE, bank charges, warranty claims, entertainment as well as advertising and promotional expenses.*

Administrative expenses constituted 40.1%, 34.2% and 34.6% of our Group's revenue for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 respectively. Administrative expenses constituted 68.3% and 68.0% of our Group's revenue for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018 respectively. For the FYEs and FPEs under review, there are no material one-off expenses incurred by the Group.

FYE 31 December 2016 as compared to FYE 31 December 2015

Administrative expenses increased by 24.2% (from RM6.81 million to RM8.46 million) mainly due to:

(a) higher salary and other staff-related expenses due to higher headcount from 62 to 82, mainly due to 5 new personnel for business development division, 3 new personnel for operation division and 11 new personnel for technology division; and

(b) higher professional fees related to research and consulting services provided by a reputable IT adviser to our Group for us to gain in-depth knowledge with updated information in IT security markets.

10. FINANCIAL INFORMATION (CONT'D)

FYE 31 December 2017 as compared to FYE 31 December 2016

Administrative expenses increased by 83.2% (from RM8.46 million to RM15.50 million) mainly due to:

(a) higher salary and other staff-related expenses due to higher headcount from 82 to 93, mainly due to 5 new personnel in each of the business development and technology divisions, and 1 new management personnel;

(b) loss on foreign exchange as RM weakened against USD;

(c) higher fees related to professional services incurred mainly due to the testing of CENTAGATE® project secured from the Bank of the Philippine Islands. We engaged an independent software testing services company for the external testing in order to obtain an independent verification of CENTAGATE® as this CENTAGATE® project involved customisation of our CENTAGATE® to integrate with Bank of Philippine Islands' banking application. We also engaged an external consultant and developer to test and enhance our cryptographic module as part of our product (i.e. PKI and CENTAGATE®) improvements; and

(d) amortisation of development expenditure for our new technology project research and development activities (i.e. CENTAGATE®). The development expenditure is to be amortised over the useful life of five years starting from FYE 31 December 2017.

For information purpose, as at FYE 31 December 2017, our solutions and products do not all undergo external testing of such a nature, other than this instance where independent verification was required.

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Administrative expenses increased by 9.7% (from RM4.32 million to RM4.74 million) mainly due to:

(a) higher salary and other staff-related expenses due to higher headcount from 81 to 94, mainly due to 4 new personnel for business development division, 5 new personnel for technology division and 3 new personnel for operations division;

(b) higher loss on foreign exchange as RM weakened against USD; and

(c) amortisation of development expenditure for our new technology project research and development activities (i.e. CENTAGATE®).

10. FINANCIAL INFORMATION (CONT'D)

10.5.6 Finance costs

Finance costs	FYE 31 December						4M-FPE 30 April			
	2015		2016		2017		2017		2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses	7	*100.0*	2	*100.0*	255	*100.0*	91	*100.0*	74	*100.0*
Total	7	***100.0***	**2**	***100.0***	**255**	***100.0***	**91**	***100.0***	**74**	***100.0***

Our finance costs consist of interest expenses on term loans to finance our operations and a finance lease for a motor vehicle. The higher finance costs of RM0.26 million in FYE 31 December 2017 was due to finance charges paid for a performance guarantee for a PKI project with a Vietnamese government institution, namely VAXUCO, secured in FYE 31 December 2016 and interest charges on RM3.0 million term loans obtained from local financial institutions, in which RM2.0 million was obtained from AmBank Islamic Berhad towards the end of FYE 31 December 2016 and RM1.0 million from Malayan Banking Berhad in FYE 31 December 2017.

The decrease in finance costs in 4M-FPE 30 April 2018 was mainly due to the absence of finance charges paid for a performance guarantee. The performance guarantee was extended to VAXUCO in respect of a PKI project. The project was completed on 27 October 2017 and the performance guarantee has been discharged.

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10. FINANCIAL INFORMATION (CONT'D)

10.5.7 Profits, margins and tax rates

Our Group's profits and effective tax rates are as follows:

	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT/(LBT)	3,056	4,386	6,202	(1,602)	(407)
Taxation	(129)	(48)	(120)	97	(69)
PAT/(LBT)	2,927	4,338	6,082	(1,505)	(476)
	%	%	%	%	%
PBT/(LAT) margin	18.0	17.7	13.9	(25.3)	(5.8)
PAT/(LAT) margin	16.9	17.6	13.4	(23.9)	(7.0)
Group effective tax rate	4.2	1.1	*1.9*	*6.1*	-[1]
Statutory tax rate					
- Securemetric Malaysia	25	24	24	24	24
- Securemetric Indonesia[2]	1	1	1	1	25
- Securemetric Singapore	17	17	17	17	17
- Securemetric Philippines	30	30	30	30	30
- Securemetric Vietnam	22	22	22	22	22
- Softkey Indonesia	25	25	1	1	25[3]

Notes:

(1) As the Group was in tax loss position, hence effective tax rate is not applicable.

(2) In accordance with Indonesia Government Regulation No. 46/2013, companies with revenue of not more than IDR4.80 billion are subject to final tax at 1% on revenue. Securemetric Indonesia's revenue, for FYEs 31 December 2015-2017 and 4M-FPE 30 April 2018 was IDR3.30 billion, IDR3.62 billion, IDR8.88 billion and IDR2.17 billion, respectively. The tax rate at 1% of revenue is on the basis that the prior year's (i.e. FYE 31 December 2016) revenue did not exceed IDR4.80 billion. Based on Securemetric Indonesia's revenue of IDR8.88 billion for FYE 31 December 2017, Securemetric Indonesia will be subject to tax at the rate of 25% on its FYE 31 December 2018's PBT.

(3) Softkey Indonesia was subject to tax at the rate of 25% on its PBT for the FYEs 31 December 2014-2016. In accordance with Indonesia Government Regulation No. 46/2013, Softkey Indonesia calculated its income tax expense for FYE 31 December 2017 at the rate of 1% of revenue because its revenue for FYE 31 December 2016 was IDR2.9 billion and did not exceed IDR4.80 billion. The tax rate at 1% of revenue is on the basis that the prior year's (i.e. FYE 31 December 2016) revenue did not exceed IDR4.80 billion. Based on Softkey Indonesia's revenue of IDR5.70 billion for FYE 31 December 2017, Softkey Indonesia will be subject to tax at the rate of 25% on its FYE 31 December 2018's PBT.

10. FINANCIAL INFORMATION (CONT'D)

Pursuant to Guideline 3.1.1 of Garis Panduan Operasi Bil. 1 Tahun 2017 dated 23 February 2017, all companies which have begun their operations (i.e. generating revenue or income) are required to submit "Submission of Tax Estimation (CP204)" to IRB. As at the LPD, our Company has not submitted its tax estimation to IRB as the Company has not begun its operations since its incorporation, pursuant to the completion of the Restructuring. Pursuant to Section 77A of the Income Tax Act 1967, every company shall furnish a return within 7 months from the date following the close of the accounting period. Our Company has made up the accounts ended 31 December 2017 (i.e. accounting period) and has submitted its tax filing return to IRB.

Our subsidiary company Securemetric Malaysia is the major contributor to our Group's PBT. As a MSC-Malaysia status company, it is entitled to pioneer status incentives granted by the Ministry of International Trade and Industry for services under the Promotion of Investment Act, 1986 and it enjoyed income tax exemption on 100% of its statutory income derived from approved MSC activities for an initial 5-year period from 6 May 2008 to 5 May 2013. On 14 August 2013, MITI, through a letter issued by MIDA (an agency under MITI), granted approval for the pioneer status to be extended for an additional 5 years until 5 May 2018. Our effective tax rate range between 1.1% and 6.1% as most of our statutory income was contributed by Securemetric Malaysia, which is tax exempted.

The qualitative differences between our Group's effective tax rates and the respective subsidiary's statutory tax rates are as follows:

Subsidiary	Difference between our Group's effective tax rates and subsidiary's statutory tax rates
Securemetric Malaysia	Lower effective tax rates compared to statutory tax rates, due to statutory income being exempted from tax as a result of pioneer status granted by Ministry of International Trade and Industry.
Securemetric Indonesia	Lower effective tax rates compared to statutory tax rates, due to revenue being not more than IDR4.80 billion thus taxable at 1% of the revenue.
Securemetric Singapore	Lower effective tax rates compared to statutory tax rates, as Securemetric Singapore enjoys tax exemption scheme for new start-up companies whereby its first SGD100,000 chargeable income for the first 3 years of assessment is 100% exempted from tax. Inland Revenue Authority of Singapore ("**IRAS**") introduced a tax exemption scheme for new start-ups with the conditions that the start-up is a Singapore-incorporated entity, tax resident of Singapore for the year of assessment, its share capital is not held by more than 20 shareholders throughout the financial period and at least 1 individual shareholder holding at least 10% of ordinary shares of the entity throughout the financial period. Securemetric Singapore has satisfied the above conditions and as such enjoys the tax exemption scheme.
Securemetric Philippines	Higher effective tax rates compared to statutory tax rates, due to non-deductible expenses added back in computing chargeable income at the corporate tax rate of 30%.
Securemetric Vietnam	Higher effective tax rates compared to statutory tax rates, due to non-deductible expenses added back in computing chargeable income at the corporate tax rate of 20%.

10. FINANCIAL INFORMATION (CONT'D)

Subsidiary	Difference between our Group's effective tax rates and subsidiary's statutory tax rates
Softkey Indonesia	Lower effective tax rates compared to statutory tax rates, as taxable income from gross income of up to IDR4.80 billion are taxed at 12.5% of taxable income and the remaining taxable income (for gross income exceeding IDR4.80 billion) is taxed at 25% of taxable income for FYEs 31 December 2014 and 2015. Softkey Indonesia will be taxed at 1% of the revenue as its revenue is not more than IDR4.80 billion.

Our Group's PBT were on an upward trend from FYE 31 December 2015 to FYE 31 December 2017, in line with our increasing revenue. Our Group's PBT margins rebounded from negative 25.3% for 4M-FPE 30 April 2017 to negative 5.8% for 4M-FPE 30 April 2018 due to higher other revenue (provision of maintenance service charges) mainly from a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in Philippines.

FYE 31 December 2016 as compared to FYE 31 December 2015

Our PBT increased by 43.5% (from RM3.06 million to RM4.39 million) in line with higher Group revenue. Our PBT margin decreased to 17.7% in FYE 31 December 2016, in line with the lower GP margin, as cost of sales rose faster than revenue. Our effective tax rate fell from 4.2% in FYE 31 December 2015 to 1.1% in FYE 31 December 2016, mainly due to losses incurred by Softkey Indonesia.

FYE 31 December 2017 as compared to FYE 31 December 2016

Our PBT increased by 41.2% (from RM4.39 million to RM6.20 million) due to higher GP generated from the PKI project for VAXUCO from Vietnam and CENTAGATE® projects from Indonesia (aggregate increase from RM8.28 million to RM16.18 million) despite an increase in cost of sales (increased from an aggregate of RM4.74 million to RM16.40 million).

Our effective tax rate increased slightly from 1.1% in FYE 31 December 2016 to 1.9% in FYE 31 December 2017 due to higher PBTs recorded by all of our foreign subsidiaries. Despite the increase of 41.2% in our Group's PBT (from RM4.39 million to RM6.20 million), Securemetric Malaysia (which contributes 66.9% of the Group's PBT) is entitled to 100% income tax exemption on its statutory income due to its pioneer status. This resulted in a minimal effect on the Group's effective tax rate.

4M-FPE 30 April 2018 as compared to 4M-FPE 30 April 2017

Our LBT improved by 70.0% (from LBT of RM1.60 million to LBT of RM0.48 million). Our LBT margin improved significantly from 25.3% for 4M-FPE 30 April 2017 to 5.8% in 4M-FPE 30 April 2018 due to higher other revenue (provision of maintenance service charges) mainly from a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines. However, as the Group was in tax loss position, hence effective tax rate is not applicable.

10.5.8 Significant factors affecting our financial performance

Our Group's financial condition and results of operations may be affected by the following key factors:

(a) Rapid technological changes

Our Group operates in a dynamic market where our solutions, products and services are prone to technology and cyber threat evolution, and as such we strive to enhance our solutions, products and services.

Our Directors and key senior management personnel have expertise in R&D on new solutions, products and services as well as the capabilities required to enhance our existing solutions, products and services. Nevertheless, during periods of solution and product development or enhancement, we may experience design, marketing and other operational difficulties that could delay development and therefore the introduction and marketing of our solutions, products and services. Furthermore, our investment in R&D may not necessarily result in the successful development of new digital security solutions in accordance with our intended specifications and objectives.

Our operations and expansion plans are dependent upon the market demand for our products and services. If there is a decrease in demand due to reasons relating to the relevancy of our solutions, products and services, in the eyes of our customers, this will have an adverse effect on our business, financial results and prospects.

(b) Human resource

Our business requires personnel with specific technical skills. We have so far not experienced any shortage of skilled personnel to meet our needs. Although we currently have sufficient skilled personnel to support our business and operations, personnel retention and recruitment are crucial factors for our growth.

(c) Competition

Our Group operates in a competitive industry with competitors who are larger in size and who may have better access to capital, technology and talent than our Group. **Section 6** of this Prospectus sets out the impact of competition on our Group.

With our ongoing emphasis on R&D, our Directors are of the view that we are well-positioned to withstand future competition and to secure new customers.

(d) Expiry of pioneer status

Securemetric Malaysia, by virtue of its MSC status, was granted pioneer status by MITI under the Promotion of Investment Act, 1986 and has enjoyed full exemption from paying Malaysian income tax on income derived from MSC Malaysia qualifying activities since 6 May 2008 and the pioneer status has expired on 5 May 2018.

The expiry of the pioneer status will directly affect our financial performance as Securemetric Malaysia will be subject to a statutory tax rate of 24%. As such, statutory income of Securemetric Malaysia from May 2018 to December 2018 is subject to a statutory tax rate of 24% following the expiry of the pioneer status on 5 May 2018. Using Securemetric Malaysia's FYE 31 December 2017 financial results to illustrate the impact of the statutory tax rate of 24% (before adjusting for income tax adjustments such as expenses not deductible for tax purposes (eg: depreciation of PPE, amortisation of development expenditure and professional fees), income not subject to tax (eg: unrealised foreign exchange gain, gain on disposal of PPE and government grant income) and claims of capital allowances for qualifying assets), our Group's PAT would have been reduced by RM1.00 million (from RM6.08 million to RM5.08 million) without the tax exemption.

(e) Foreign currency exchange rates

As set out in **Section 4.2.10** of this Prospectus, our Group is exposed to foreign currency exchange rate fluctuations as our sales and purchases are mainly denominated in foreign currencies, namely USD and EURO. Our net foreign exchange gains/(losses) for the FYEs 31 December 2015 to 31 December 2017 and 4M-FPE 30 April 2018 are as follows:

	FYE 31 December			4M-FPE 30 April
	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange gain / (loss)*	324	(80)	(713)	(283)

Note:

* *Inclusive of realised and unrealised gains or losses on foreign exchange*

As at the LPD, we do not have any formal hedging policy with respect to foreign exchange exposure. Our foreign currency sales and purchases provide a natural hedge against the fluctuations in foreign exchange rates. Other than purchases, most of our expenses and sales in Malaysia are denominated in RM, and most of our expenses in foreign subsidiaries are denominated in their local currencies. In addition, we maintain part of our cash and bank balances, in foreign currency accounts, mainly in USD, to meet our future obligations in foreign currency.

(f) Interest rates

Our bank borrowings are used solely for our working capital purposes. In view of our Group's ability to generate sufficient net cash flows from operation to fund our daily operations, our reliance on bank borrowings is relatively low. Nevertheless, in order to secure a PKI project with a Vietnamese government institution, namely VAXUCO, we have made additional term loan drawdown during the FYE 31 December 2016 and FYE 31 December 2017 for performance guarantee for the project. Our gearing ratio (i.e., total borrowings over shareholders' equity attributable to the owners of the parent) for the past 3 FYEs 31 December 2015 to 31 December 2017 and 4M-FPE 30 April 2018 are as follows:

	FYE 31 December			4M-FPE 30 April
	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000
Total borrowings	50	2,012	2,548	2,369
Shareholders' equity attributable to the owners of the parent	10,984	13,511	19,295	18,805
Gearing ratio (times)	**0.01**	**0.15**	**0.13**	**0.13**

Our gearing ratio is relatively low as a result of a low degree of leverage on bank borrowings. In view of the low gearing ratio of 0.01, 0.15, 0.13 and 0.13 times of our capital structure as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018 respectively, finance costs that we incurred on our interest-bearing borrowings with licensed financial banks were minimal relative to our financial position. Therefore, fluctuations in interest rates have no material affected on our Group for the financial years/periods under review. If our borrowings increase in the future, we may be affected by interest rate fluctuations.

(g) Creditworthiness of our customers

Our financial performance has a degree of dependence on the creditworthiness of our customers. Payment delays or non-payments may result in us providing for impairment loss on receivables or writing off bad debts. No impairment loss was necessary to be provided for our receivables from FYE 31 December 2015 until 4M-FPE 30 April 2018 as our Group did not foresee any dispute relating to our trade debtors, considering the on-going project works with our receivables and/or long-term business relationship with these trade debtors. In addition, our Group has not encountered any dispute with our receivable for the financial years under review.

(h) Inflation on our Group's operations

Our Group's operations were not materially affected by inflation from FYE 31 December 2015 until 4M-FPE 30 April 2018.

(i) Government, economic, fiscal or monetary policies

There were no government, economic, fiscal or monetary policies that materially affected our Group's operations from FYE 31 December 2015 until 4M-FPE 30 April 2018.

10.6 Liquidity and capital resources

10.6.1 Working capital

Our business has been financed by a combination of internal and external sources of funds. Our internal sources were shareholders' equity and cash generated from our operations whereas our external sources were the credit facilities extended to us by financial institutions, grant by Ministry of Science, Technology and Innovation (MOSTI) and credit terms granted by our suppliers. The average credit period granted to us ranges between 30 days to 90 days. The principal utilisation of these funds has been for our business operations.

As at 30 April 2018, our Group has cash and cash equivalents of RM10.50 million and borrowings of RM2.37 million, with a debt to equity ratio of 0.13 times. We also have available banking facilities of RM0.50 million (excluding finance lease financing) in the form of trade financing yet to be utilised.

Our Directors are of the opinion that our Group will have adequate working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus. This opinion is formed after taking into consideration our cash and cash equivalents, the funds to be generated from our business, our existing banking facilities as well as the proceeds from our Public Issue.

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10.6.2 Cash flows

The following should be read in conjunction with **Section 10.2.3** of this Prospectus.

Summary of combined statements of cash flows	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from/(used in) operating activities	596	4,660	9,078	1,749	(1,933)
Net cash (used in)/from investing activities	(1,592)	(1,262)	(556)	(94)	(1,036)
Net cash from/(used in) financing activities	513	165	(1,048)	(960)	187
Net (decrease)/increase in cash and cash equivalents	**(483)**	**3,563**	**7,474**	**695**	**(2,782)**
Effect of exchange translation differences on cash and cash equivalents	114	(17)	(208)	(48)	283
Cash and cash equivalents at the beginning of financial year/ period	4,067	3,698	7,244	7,244	14,510
Cash and cash equivalents at the end of financial year / period	**3,698**	**7,244**	**14,510**	**7,891**	**12,011**
Cash and cash equivalents at the end of financial year / period comprise:					
- Cash and bank balances	2,799	7,244	14,510	6,291	9,827
- Fixed deposits with licensed banks	984	154	2,740	4,198	4,896
	3,783	**7,398**	**17,250**	**10,489**	**14,723**
Less: Fixed deposits pledged with licensed banks	(85)	(154)	(2,740)	(2,598)	(2,712)
	3,698	**7,244**	**14,510**	**7,891**	**12,011**

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10. FINANCIAL INFORMATION (CONT'D)

Net cash from/(used in) operating activities

We derived our cash inflow for operating activities primarily from the collections of receipts from our revenue. Our cash outflows are primarily payments to suppliers and administrative expenses.

FYE 31 December 2015

We generated net cash inflow from operating activities of RM0.60 million against PBT of RM3.06 million after adjusting for, amongst others, the following:

(i) impairment losses on available-for-sale financial assets of RM0.17 million to reflect the market value of the quoted shares;

(ii) depreciation of PPE of RM0.15 million;

(iii) increase in inventories by RM0.29 million due to stock-up at year end to replenish the sold inventories and also purchase of HSM of RM0.14 million, which were subsequently sold in January 2016. Generally, HSM is ordered upon customer's confirmation due to its higher cost compared to other inventories;

(iv) increase in trade and other receivables by RM3.08 million mainly due to outstanding trade receivables balances for PKI projects and higher amount of other receivables (amount due from Nioo Yu Siong, a director of Securemetric Malaysia, Securemetric Indonesia, Securemetric Philippines and Securemetric Singapore);

(v) increase in trade and other payables by RM0.66 million mainly due to higher trade payables arising from the purchases made from Feitian, in anticipation of the long festive holiday period in China, in order to replenish the sold inventory, deferred capital grant of RM0.46 million in relation to the TechnoFund grant received from MOSTI for the R&D of CENTAGATE® and deferred revenue of RM0.31 million from the service level agreements in which the services have yet to be performed; and

(vi) tax paid of RM0.15 million.

FYE 31 December 2016

We generated net cash inflow from operating activities of RM4.66 million against PBT of RM4.39 million after adjusting for, amongst others, the following:

(i) depreciation of PPE of RM0.18 million;

(ii) decrease in inventories by RM0.21 million mainly due to the absence of new purchases of HSM which were sold in January 2016;

(iii) increase in trade and other receivables by RM3.67 million mainly due to outstanding trade receivables balances from VAXUCO and Bank of Philippine Islands which are still within the credit period granted as well as higher other receivables (amount due from Nioo Yu Siong, a director of Securemetric Malaysia, Securemetric Indonesia, Securemetric Philippines and Securemetric Singapore);

(iv) increase in trade and other payables of RM3.38 million mainly due to purchase of third party devices for projects related to VAXUCO and Bank of the Philippine Islands and higher other payables arising from the accrued project cost for our Egyptian customer in relation to a PKI project, amount due to Nioo Yu Siong, a director of Securemetric Malaysia, Securemetric Indonesia, Securemetric Philippines and Securemetric Singapore), increase of RM0.79 million in deferred capital grant in relation to the TechnoFund grant received from MOSTI for the R&D of CENTAGATE® and increase of RM 0.50 million in deferred revenue from the service level agreements in which the services have yet to be performed; and

(v) tax paid of RM0.01 million.

FYE 31 December 2017

We generated a net cash inflow from operating activities of RM9.08 million against PBT of RM6.20 million after adjusting for, amongst others, the following:

(i) depreciation of PPE of RM0.20 million;

(ii) amortisation of development expenditures of RM0.48 million;

(iii) increase in inventories by RM0.19 million due to our Group's strategy to have sufficient inventories of dongles, PKI tokens and smart cards to enable prompt delivery to our customers in the subsequent FYE 31 December 2018;

(iv) increase in trade and other receivables by RM8.96 million mainly due to the issuance of invoices amounting to RM8.2 million towards the year end, for the VAXUCO project;

(v) increase in trade and other payables by RM11.60 million mainly due to the purchase of third party devices to complete the VAXUCO project (completed in October 2017) and higher other payables arising from the higher deferred revenue recognised (2017: RM4.46 million and 2016: RM1.00 million) mainly from the upfront payment received from VAXUCO and a financial institution in Singapore related to maintenance and support services which have yet to be performed; and

(vii) tax paid of RM0.13 million.

4M-FPE 30 April 2017

We generated a net cash inflow from operating activities of RM1.75 million against LBT of RM1.60 million after adjusting for, amongst others, the following:

(i) depreciation of PPE of RM0.06 million;

(ii) increase in inventories by RM0.47 million due to our Group's strategy to have sufficient inventories of dongles, PKI tokens and smart cards to enable prompt delivery to our customers in the subsequent quarter;

(iii) decrease in trade and other receivables by RM5.17 million mainly due to collection received from VAXUCO and Bank of the Philippine Islands;

(iv) Decrease in trade and other payables by RM1.57 million mainly due to prompt repayments to our suppliers for a PKI project with a new customer (an IT service provider in Thailand); and

(v) tax paid of RM0.02 million.

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4M-FPE 30 April 2018

We generated a net cash outflow from operating activities of RM1.93 million against LBT of RM0.41 million after adjusting for, amongst others, the following:

(i) depreciation of PPE of RM0.09 million;

(ii) amortisation of development expenditures of RM0.16 million;

(iii) increase in inventories by RM0.11 million due to our Group's strategy to have sufficient inventories of dongles, PKI tokens and electronic identification products to enable prompt delivery to our customers in the subsequent quarter;

(iv) decrease in trade and other receivables by RM10.50 million mainly due to collection received from our customers;

(v) decrease in trade and other payables by RM11.02 million mainly due to prompt repayments to our suppliers for the supply of third party products related to our PKI projects; and

(vii) tax paid of RM0.21 million.

Net cash used in investing activities

Net cash flows for investing activities represent cash used to purchase PPE and other investment, net of proceeds from disposal of PPE and other investments.

FYE 31 December 2015

The net cash outflow for our investing activities amounting to RM1.59 million were mainly used for R&D activities for our in-house development of CENTAGATE® amounting to RM1.32 million as well as to purchase PPE (such as motor vehicle and laptops) amounting to RM0.27 million.

FYE 31 December 2016

Net cash used for our investing activities amounted to RM1.26 million, which was due to R&D expenditure of RM1.01 million for CENTAGATE® and purchase of PPE (such as laptops and servers) of RM0.26 million. We purchased a server to store our solutions' R&D data to ensure that those data are stored in secured server with separated network and therefore prevent unauthorised access.

FYE 31 December 2017

Net cash used for our investing activities amounted to RM0.56 million, consisting of R&D expenditure of RM0.09 million for CENTAGATE® and purchase of PPE (such as laptops and server) of RM0.47 million. As the R&D project was completed in August 2017, we incurred lesser R&D expenditure for CENTAGATE® project as compared to previous years.

4M-FPE 30 April 2017

Net cash used for our investing activities amounted to RM0.09 million mainly consist of purchases of PPE (such as laptops) amounting to RM0.09 million.

4M-FPE 30 April 2018

Net cash used for our investing activities amounted to RM1.04 million mainly consist of investment made in unit trust amounting to RM1.00 million.

10. FINANCIAL INFORMATION (CONT'D)

Net cash from /(used in) financing activities

Cash flows from financing activities represents net cash sourced from owners or shareholders and financial institutions (short term or long term) to finance our operations. Positive cash flows from financing activities include drawdown of term loans, grant received and cash from issuance of shares. Negative cash flows from financing activities include repayment of term loans and finance lease liabilities, dividends paid and increase in fixed deposits pledged.

FYE 31 December 2015

Net cash from our financing activities of RM0.51 million mainly consisted of a grant reimbursement of RM0.46 million received from MOSTI and proceeds raised from the issuance of shares of RM0.14 million following the incorporation of Securemetric Singapore. However, this was partly offset by repayment of borrowings of RM0.08 million.

FYE 31 December 2016

Net cash used in our financing activities of RM0.17 million are mainly attributed to interim dividends payment of RM2.52 million offset by term loan drawdown of RM2.00 million from AmBank Islamic Berhad to fund our Group's working capital and grant reimbursement of RM0.79 million received from MOSTI.

FYE 31 December 2017

Net cash used in financing activities of RM1.05 million was mainly due to repayment of term loans and finance lease liabilities of RM0.46 million as well as placement of fixed deposit of RM2.59 million to secure a performance guarantee. The performance guarantee was provided to VAXUCO for a PKI project secured in FYE 31 December 2016. The PKI project was completed on October 2017 and as at the LPD, the performance guarantee has been discharged. The cash outflow was partly offset by the drawdown of RM1.00 million term loan and a RM1.00 million grant received from MOSTI.

4M-FPE 30 April 2017

Net cash used in financing activities of RM0.96 million was mainly due to repayment of term loans and finance lease liabilities of RM0.14 million as well as placement of fixed deposit of RM2.44 million to secure a performance guarantee. The performance guarantee was provided to VAXUCO for a PKI project secured in FYE 31 December 2016. The cash outflow was partly offset by the drawdown of RM1.00 million term loan and a RM0.62 million grant received from MOSTI.

4M-FPE 30 April 2018

Net cash from our financing activities of RM0.19 million was mainly due to proceeds raised from the issuance of shares of RM0.34 million following the increase in share capital of Securemetric Philippines as well as uplift of fixed deposit of RM0.03 million. The cash inflow was partly offset by the RM0.18 million repayment of term loans.

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10. FINANCIAL INFORMATION (CONT'D)

10.6.3 Borrowings

	Audited As at 30 April 2018 RM'000
Long term	
Secured	
Bank borrowings[1]	1,800
	1,800
Short term	
Secured	
Bank borrowings[1]	569
	569
Secured:	
Bank borrowings	2,369
Total borrowings	**2,369**
Shareholders' equity attributable to the owners of the parent	**18,805**
Gearing ratio (times)	**0.13**

Note:

(1) Our Group has the following bank borrowings:

(a) 5-year term loan of RM2.0 million from AmBank Islamic Berhad (for our Group's general working capital) repayable by 58 monthly payments of RM41,637 each, commencing from 1 January 2017. The loan was secured by guarantees by our Directors and Credit Guarantee Corporation Malaysia Berhad.

(b) 5-year term loan of RM1.0 million from Malayan Banking Berhad (for our Group's general working capital) repayable by 60 monthly payments of RM21,818 each, commencing from 1 May 2017. The loan was secured by guarantees by our Directors and Credit Guarantee Corporation Malaysia Berhad.

Interest rates	Audited As at 30 April 2018 % per annum
Term loans	7.95 - 11.15

We also have available banking facilities of RM0.50 million (excluding finance lease financing) in the form of trade financing, yet to be utilised.

Our Group has not defaulted on payments on either interest and/or principal sums in respect of any borrowings throughout FYE 31 December 2015 up to the LPD. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which could materially affect our financial position, business operations or the investment by holders of our securities.

For 4M-FPE 30 April 2018, our term loans have an average effective interest rate of 8.93% per annum.

As at the LPD, our Group does not have any foreign currency borrowings. Our outstanding bank borrowings as at the LPD amounted to RM2.13 million. We do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities (i.e. term loans and finance lease).

Our Group does not provide any guarantee on any debt issued to third parties.

10.6.4 Treasury policies and objectives

Our Group has been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of grant from MOSTI, credit term granted by our suppliers and borrowings from financial institutions. Our funding policy is to obtain the most suitable form of financing at the most favourable cost of funding whereas our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities. The normal credit periods granted by our suppliers are from 30 to 90 days.

Our Group's borrowings from financial institutions consist of term loans and finance lease which we use for our working capital and purchase of motor vehicle. As at LPD, our Group have banking facilities (trade finance) amounting to RM0.50 million, which has yet to be utilised.

Our short term borrowings mainly consist of the principal amounts of the term loans and finance lease payable within one year. The interest rates for these short term borrowings are based on prevailing cost of funds plus a margin, as agreed upon with our bankers when the borrowings were granted.

Our long term borrowings are payable after one year. The interest rates for these long term borrowings are based on prevailing cost of funds plus a margin, as agreed upon with our bankers when the borrowings were granted.

The decision to either utilise banking facilities or internally-generated funds for our operations depends on our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserve at any point in time is primarily dependent on our expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

10.6.5 Material capital commitment

As at the LPD, we do not have any material commitment for capital expenditure.

10.6.6 Material contingent liabilities

As at the LPD, we do not have any pending material contingent liabilities that, upon becoming enforceable, may have a material impact on our financial performance and/or position.

10.6.7 Material litigation, claims or arbitration

As at the LPD, our Company and its subsidiaries are not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which might materially affect our financial position, and there are no proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our financial or business position.

10. FINANCIAL INFORMATION (CONT'D)

10.6.8 Key financial ratios

	Audited			Unaudited	Audited
	FYE 31 December			4M-FPE 30 April	
	2015	2016	2017	2017	2018
Revenue (RM'000)	16,978	24,753	44,767	6,329	6,970
Average trade receivables (RM'000)	2,977	6,347	11,880	5,575	10,036
Average trade receivables turnover period (days)[1]	64.0	93.6	96.9	105.7	172.8
Purchases (RM'000)	5,781	10,136	12,231	3,494	2,205
Average trade payables (RM'000)	1,209	1,896	5,257	1,889	4,475
Average trade payables turnover period (days)[2]	76.3	68.3	156.9	64.9	243.5
Average inventories (RM'000)	2,039	2,080	2,029	2,209	2,137
Average inventories turnover period (days)[3]	128.7	74.9	60.5	75.9	116.3
Current ratio (times)[4]	4.05	2.65	1.94	2.73	3.09
Gearing ratio (times)[5]	*	0.15	0.13	0.24	0.13

Notes:

* *Negligible.*

(1) *Average trade receivables turnover period (days)* = $\frac{\text{(Opening trade receivables + Closing trade receivables)/ 2}}{\text{Revenue}} \times 365 \text{ days}^{(6)}$

(2) *Average trade payables turnover period (days)* = $\frac{\text{(Opening trade payables + Closing trade payables)/2}}{\text{Purchases}} \times 365 \text{ days}^{(6)}$

(3) *Average inventories turnover period (days)* = $\frac{\text{(Opening inventories + Closing inventories)/2}}{\text{Purchases}} \times 365 \text{ days}^{(6)}$

(4) *Current assets divided by current liabilities*

(5) *Total borrowings divided by shareholders' equity attributable to the owners of the parent*

(6) *365 days for FYE 2015 – FYE 2017, 120 days for 4M-FPE 30 April 2017 and 4M-FPE 30 April 2018*

10. FINANCIAL INFORMATION (CONT'D)

(a) Trade receivables

Trade receivables as at 30 April 2018	Within credit period (days)			Exceeding credit period (days)				
	1 – 30 (RM'000)	31 – 60 (RM'000)	61 – 90 (RM'000)	91 – 120 (RM'000)	121 – 150 (RM'000)	151 – 180 (RM'000)	> 180 days (RM'000)	Total (RM'000)
Trade receivables	1,923	155	150	47	742	968	856	4,841
Less: Performance bond	-	-	-	-	-	-	(96)[2]	(96)
Less: Retention	-	-	-	-	-	(956)[1]	-	(956)
Less: Impairment of loss	-	-	-	-	-	-	-	-
Net trade receivables	1,923	155	150	47	742	12	760	3,789
% of total net receivables	*50.8*	*4.1*	*4.0*	*1.2*	*19.6*	*0.3*	*20.0*	*100.0*
Subsequent collections as at the LPD	1,529	155	150	47	739	-	490	3,110
Trade receivables net of subsequent collections	394	-	-	-	3	12	270	679
% of trade receivables net of subsequent collections	*58.0*	-	-	-	*0.4*	*1.8*	*39.8*	*100.0*

Notes:

(1) The retention sum was retained by VAXUCO for the completed PKI project in October 2017. The retention sum will be contractually released in October 2020, upon completion of the 3 years of support and maintenance services period from the date of the completion of the PKI project.

(2) The performance bond was retained by our Egyptian customer for an on-going PKI project, and is recoverable as it will be contractually released upon completion of the PKI project in the 4th quarter of 2018.

The normal credit period granted to our customers ranges from 30 to 90 days. Other credit terms to customers are assessed and approved by our management on a case-by-case basis by taking into consideration various factors such as business relationship with the customers, the customers' payment history and the customers' creditworthiness while new customers are subject to the Group's verification process.

For FYE 31 December 2015, our average trade receivables turnover period was 64.0 days, which was within the credit period range granted to our customers.

10. FINANCIAL INFORMATION (CONT'D)

For FYE 31 December 2016, our average trade receivables turnover period was 93.6 days which is marginally higher than our Group's credit period mainly due to overdue payments from three customers (a telecommunication provider in Malaysia and IT service providers in Malaysia and Myanmar) as well as our Egyptian customer retaining some of the first billing amount as performance bond for the PKI project.

For FYE 31 December 2017, our average trade receivables turnover period was 96.9 days which is marginally higher than our Group's credit period mainly due to overdue amount of RM1.61 million (representing 11% of the trade receivables).

As at 30 April 2018, RM2.23 million or 58.9% of our net trade receivables were within the normal credit period. RM1.56 million or 41.1% of our net trade receivables were outstanding for more than 90 days.

As at the LPD, we have collected RM3.11 million or 82.1% of the total trade receivables outstanding as at 30 April 2018. For the remaining amount outstanding of RM0.39 million (which is still within the 90 days credit period), we are in the midst of collecting the remaining balance. For the overdue amounts of RM0.29 million (which have exceeded the 90 days credit period), RM0.13 million is due from a reputable long-term customer (an IT service provider in Malaysia) who has a good payment record with us in the past and we have obtained post-dated cheques on the overdue amount. The post-dated cheques were obtained due to short-term cash flow restriction faced by the customer. RM0.02 million is due from a long-term customer (an IT service provider in Myanmar) and is expected to be collected in the 4th quarter of 2018. The remaining amount of RM0.14 million is due from various trade receivables of smaller amounts.

As at the LPD, our Board deemed the overdue trade receivables amount of RM0.29 million to be recoverable after taking into consideration of our long term continuing business relationship with most of our customers and our Board believes that there will not be any impairment loss on the overdue trade receivables balance as we have generally been able to make full collection.

Our Group's provisioning for doubtful debts policy will be in line with the MFRS 137 – Provisions, Contingent Liabilities and Contingent Assets, where the collectability of amounts due from our customers is reviewed on an individual and collective basis to ensure better estimate of provisions.

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10. FINANCIAL INFORMATION (CONT'D)

(b) Trade payables

Trade payables as at 30 April 2018	Within credit period (days)			Exceeding credit period (days)				Total (RM'000)
	1 – 30 (RM'000)	31 – 60 (RM'000)	61 – 90 (RM'000)	91 – 120 (RM'000)	121 – 150 (RM'000)	151 – 180 (RM'000)	> 180 days (RM'000)	
Trade payables	434	8	-	-	-	309	-	751
Less: Retention sum	-	-	-	-	-	(309)	-	(309)
	434	8	-	-	-	-	-	442
% of total trade payables	*98.2*	*1.8*	-	-	-	-	-	*100.0*
Subsequent payments as at the LPD	434	8	-	-	-	-	-	442
Trade payables net of subsequent payments	-	-	-	-	-	-	-	-
% of trade payables net of subsequent payments	-	-	-	-	-	-	-	-

Generally, the credit period granted to our Group by our suppliers ranges from 30 to 90 days. For FYE 31 December 2015 and FYE 31 December 2016, our average trade payables turnover periods were within the credit period granted to our Group.

Our average trade payables turnover period for FYE 31 December 2017 was 156.9 days which is higher than 68.3 days in FYE 31 December 2016 mainly due to the invoices received towards the year end from the suppliers amounting to RM6.9 million related to the VAXUCO project (completed in October 2017). As at the LPD, we have fully settled the amount of RM6.9 million.

Our average trade payables turnover period for 4M-FPE 30 April 2018 was 243.5 days which is higher than 64.9 days in 4M-FPE 30 April 2017 mainly due to higher trade payables balance as at 4M-FPE 30 April 2018 arising from the outstanding amount to the suppliers of VAXUCO project. As at the LPD, we have fully settled the amount outstanding.

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Even though our average trade receivables' turnover period ranged from 64.0 days to 174.2 days for the financial years/periods under review while our average trade payables' turnover period ranged from 64.9 days to 243.5 days, our Group does not face a mismatch in our operating cash flows after taking into consideration that:

(i) we are able to maintain a positive operating cash flow for the financial years/periods under review (save for the 4M-FPE 30 April 2018);

(ii) the credit terms granted by our Group to our trade receivables are the same as per the credit terms granted by our trade payables notwithstanding that it is at our Group's discretion to settle our trade payables earlier than the credit period provided, in order to maintain good business relationships with our trade creditors; and

(iii) we are able to maintain low reliance on our bank borrowing facilities to fund our business operations and Group's expansion, as these were funded through internally-generated funds and collections from trade receivables.

(c) Inventories

Our inventories mainly comprise dongles, PKI tokens and electronic identification products such as smart card readers. For FYE 31 December 2015, FYE 31 December 2016, FYE 31 December 2017 and 4M-FPE 30 April 2018, our average inventories turnover period ranged between 74.9 days and 128.7 days which our Group deems to be reasonable as it is our Group's normal practice to maintain not more than 3 months of stock levels.

In order to fulfill our Group's strategy for timely delivery to our customers, we generally stock up on certain inventories (such as dongles, PKI tokens) to enable prompt delivery to our customers when required. The degree of replenishment differs for each year end due to different frequency of demand for our inventories.

For the FYE 31 December 2015, average inventories turnover period stood at 128.7 days (FYE 31 December 2016: 74.9 days) which was higher than the Group's normal practice to maintain not more than 3 months of stock levels. The higher average inventories turnover period was mainly due to the higher degree of inventory replenishment amounting to RM0.68 million in December 2015 which mainly consist of:

- HSM of RM0.14 million, which was subsequently sold in January 2016 to an existing customer (an IT service provider in Malaysia);
- PKI token of RM0.18 million, which was subsequently sold in February 2016 to an existing customer (an IT service provider in Malaysia); and
- software licensing protection dongles of RM0.10 million which was subsequently sold in January 2016 and February 2016 to existing customers (IT service providers in Indonesia).

For the FYE 31 December 2017, average inventories turnover period dropped to 60.5 days (FYE 31 December 2016: 74.9 days) due to the completion of VAXUCO project in October 2017.

10. FINANCIAL INFORMATION (CONT'D)

For the 4M-FPE 30 April 2018, average inventories turnover period stood at 116.3 days which was higher than the Group's normal practice to maintain not more than 3 months of stock levels. The higher average inventories turnover period was partly due to the stock up of HSMs and PKI IN A BOX as standby units (amounting to RM230,000), as required by the service level agreements (part of the sales agreements) to meet any contingencies (e.g. such as back-up/replacements) that may be faced by VAXUCO and Bank of the Philippine Islands.

Our inventories are fast-moving which would mitigate any occurrence of stock obsolescence or impairment. Our Group reviews for obsolete inventories by analysing the frequency of demand for our inventories. As this process requires judgmental estimates by our management, changes to these estimates may result in impairment or revision to our valuation of inventories. Generally, frequency of demand for our inventories is estimated based on the outstanding order book, timing of delivery of our project-related devices and sales trend for our devices for the preceding 12 months. The overall assessment on provision for stock obsolescence on inventories is performed annually and provision are made immediately if deemed necessary. We are of the opinion that the Group has no material slow-moving or obsolete inventories as at the LPD. Our Group's normal practice is to write off damaged inventories. For FYE 31 December 2015 to 2017 and 4M-FPE 30 April 2018, we had written off damaged inventories amounting to a total of RM77,529 (software licensing protection dongles: RM3,175; 2FA: RM1,469; PKI: RM26,295; electronic identification products: RM46,590).

Generally, our inventories have a life-cycle of at least 5 years. However, continuous software update would further extend the life-cycle of our inventories. In assessing any stock obsolescence, we mainly consider the frequency of demand for our devices from existing customers.

For upgrades made to either the casing with printed circuit board or basic OS, our software will be modified to suit the upgraded casing with printed circuit board or basic OS to ensure backward compatibility. We do not normally write off older versions of our upgraded inventories, as there is demand from our customers. We may provide for stock obsolescence for our inventories if there is no sales volume, after considering the sales frequency for the past 12 months and also after considering future demand.

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10. FINANCIAL INFORMATION (CONT'D)

Inventory ageing analysis

As noted in **Section 5.8.12.1**, we are subject to seasonality in our business due to annual budget cycles of our certain customers, hence, proportionately more invoices are billed/issued in the second half of our financial years. The following is our Group's inventories ageing as at 30 April 2018 (after inter-company elimination but before consolidation adjustment pertaining to unrealised profit on the sale of inventories between subsidiaries:

Inventories aging as at 30 April 2018	Within 90 days			Exceeding 90 days				Total	Inventory balance as at the LPD after subsequent sales
	1 – 30 (RM'000)	31 – 60 (RM'000)	61 – 90 (RM'000)	91 – 120 (RM'000)	121 – 150 (RM'000)	151 – 180 (RM'000)	> 180 days (RM'000)	(RM'000)	(RM'000)
Digital security solutions									
- Software licensing protection dongles	163	70	43	4	28	Negligible	110	418	391
- 2FA	14	Negligible	-	-	Negligible	-	12	26	20
- PKI	72	244	118	-	72	10	240	756	608
Electronic identification products	46	26	22	23	8	15	932	1,072	966
	295	**340**	**183**	**27**	**108**	**25**	**1,294**	**2,272**	**1,985**

As at 30 April 2018, RM818,000 or 36.0% of our inventories consist of inventories aged not exceeding 90 days while RM1,454,000 or 64.0% of our inventories exceed 90 days. Our inventories which are more than 180 days (RM1,294,000 or 57.0%) consist of software licensing protection dongles (RM110,000), 2FA (RM12,000), PKI (RM240,000) and electronic identification products (RM932,000). We do not deem these inventories aged over 180 days to be obsolete, for the following reasons:

(i) we subsequently sold RM128,000 of software licensing protection dongles mainly to software development companies in Malaysia;

(ii) we subsequently sold RM9,000 of PKI tokens mainly to a government agency in the Philippines. Our PKI inventories held for more than 180 days mainly consist of stand-by HSMs and PKI IN A BOX (amounting to RM198,000), as required by the service level agreements (part of the sales agreements) to meet any contingencies (e.g. such as back-up/replacements) that may be faced by VAXUCO and Bank of the Philippine Islands; and

(iii) we subsequently sold RM140,000 of electronic identification products mainly to an IT service provider in Malaysia. The remaining unsold electronic identification products consist mainly of Secure Access Module ("**SAM**") smart cards (RM545,000) of which the base is customisable by loading in a customised JAVA Applet(s) that can be developed by us or our customers. We have also received sales enquiries for the SAM smart cards.

We will closely monitor and reduce our inventories exceeding 90 days.

(d) Current ratio

As at 31 December 2016, our current ratio decreased to 2.65 times (from 4.05 times as at 31 December 2015) primarily due to increase in other payables because of a director's advance of RM1.17 million to Securemetric Philippines to fund its working capital as well as higher grant amount received from MOSTI, higher accrual of project cost and higher deferred revenue. The increase in other payables was partially offset by the increased in cash and bank balances mainly due to payments received from our customers as well as increase in trade receivables as at 31 December 2016.

As at 31 December 2017, our current ratio decreased to 1.94 times (from 2.65 times as at 31 December 2016) primarily due to increase in trade and other payables and bank borrowings. The increase in trade payables is mainly due to supplier's invoices received by us in relation to the PKI project for VAXUCO.

Increase in other payables is mainly higher amount due to other payables as well as higher amount of deferred revenue and deferred capital grant. Increase in bank borrowings due to higher borrowings in the form of new term loan secured in March 2017 from Malayan Banking Berhad and was subsequently drawdown in April 2017 to fund our working capital, all of which were offset by higher amounts of fixed deposits pledged with a licensed bank for a performance guarantee facility obtained for a PKI project with VAXUCO.

As at 30 April 2018, our current ratio increased to 3.09 times (from 2.73 times as at 30 April 2017) primarily due to increase in trade receivables due to billings to VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines, as well as higher amount of fixed deposits with licensed bank and cash and bank balances mainly due to receipt of payment from VAXUCO, all of which were offset by higher amounts of deferred revenue from maintenance service charges to a financial institution in Singapore, VAXUCO, Bank of the Philippine Islands and a government agency in the Philippines.

(e) Gearing ratio

Our gearing ratio was 0.01 times as at 31 December 2015. The gearing ratio increased to 0.15 times as at 31 December 2016 mainly due to a term loan secured from AmBank Islamic Berhad towards the end of FYE 31 December 2016 to finance our Group's working capital.

Our lower gearing ratio of 0.13 times as at 30 April 2018 (30 April 2017: 0.24 times) is mainly due to the repayment of term loans secured from AmBank Islamic Berhad towards the end of FYE 31 December 2016 and from Malayan Banking Berhad in early FYE 31 December 2017 to finance our Group's working capital.

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10.7 Trend analysis

As at the LPD, after making all reasonable enquiries and to the best of our Directors' knowledge and belief, and save as disclosed in **Sections 10.4, 10.5, 10.6** and **10.9** of this Prospectus, our operations have not been and are not expected to be affected by any of the following:

(i) known trends, uncertainties, demands, commitments or events that have had or that we reasonably expect to have, material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and in **Sections 4, 5.8** and **6** of this Prospectus;

(ii) material commitment for capital expenditure, indirect and contingent liabilities as disclosed in **Sections 10.6.5** and **10.6.6** of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations, save as disclosed in this section and in **Sections 4.1, 4.2, 5.8** and **6** of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's revenue and/or profits save for those that have been disclosed in this section, future plans and business strategies as set out in **Section 5.8** of this Prospectus and industry overview as set out in **Section 6** of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in **Sections 4.1, 4.2, 5.8** and **6** of this Prospectus; and

(vi) 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 Group's liquidity and capital resources, other than those discussed in this section and in **Sections 4.1, 4.2, 5.8** and **6** of this Prospectus.

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10.8 Dividend policy

We have not formulated a dividend policy or pay-out ratio. We may do so in the future. It is our intention to pay dividends to shareholders in the future while retaining adequate reserves for our future growth. However, such payments will depend upon our holding company's income and dividends from our subsidiaries. The payment of dividends by our subsidiaries are in turn dependent on their distributable profits, operating results, financial conditions, capital expenditure plans and other factors that their respective boards of directors deem relevant.

The declaration of interim dividends and the recommendation of final dividends are subject to the approval of our shareholders. Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profits and excess funds not required to be retained to fund our working capital requirements. In accordance with Section 131(1) of the Act, we can only make distribution of dividend to our shareholders out of our available profits if we are solvent. Pursuant to Section 132(3) of the Act, a company is regarded as solvent if it is able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made.

Our Board will also take into consideration the following factors when recommending dividend:

(i) the availability of adequate distributable reserves and cash flow;

(ii) our operating cash flow requirements and financing commitments;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(iv) any material impact of tax laws and other regulatory requirements; and

(v) prior approval from our banks, if any is required.

There are no substantial restrictions on the ability of our subsidiaries to transfer funds in the form of dividends to Securemetric Berhad.

For the financial years/period under review, no dividends were declared and paid by Securemetric Group other than by Securemetric Malaysia, as follows:

	Audited						Audited	
	FYE 31 December						4M-FPE 30 April	
	2015		2016		2017		2018	
	RM'000	%[1]	RM'000	%[1]	RM'000	%[1]	RM'000	%[1]
Securemetric Malaysia	-	-	2,520	*58.1*	-	-	-	-
Total	**-**	**-**	**2,520**	***58.1***	**-**	**-**	**-**	**-**

Note:

(1) Represents the dividend payout ratio, calculated based on the total dividend declared/paid divided by the PAT of Securemetric Malaysia.

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10.9 Order book

As at the LPD, our Group's order book (which yet to be billed) can be segregated as follows:

Order book by companies	Total RM'million
Securemetric Malaysia	14.0
Securemetric Philippines	0.7
Securemetric Indonesia	3.6
Softkey Indonesia	0.2
Securemetric Vietnam	1.0
Total	**19.5**

Order book by business activities	Total RM'million
Digital security solutions	
- 2FA	1.2
- PKI	8.7
- CENTAGATE®	0.5
Others (Maintenance services)	9.1
Total	**19.5**

Order book by countries	Total RM'million
Malaysia	**2.5**
Overseas market	
- Vietnam	2.1
- The Philippines	0.7
- Indonesia	3.8
- Singapore	9.3
- USA	-
- Others	1.1
Subtotal	**17.0**
Total	**19.5**

The tenures of our digital security solutions projects and maintenance services (i.e. service level agreements) generally range between 2 to 36 months (with exception of certain service level agreements which have longer duration) depending on customers' requirements, business scales and complexities of their systems.

Our outstanding order book as at the LPD is RM19.5 million (31 December 2015: RM3.4 million; 31 December 2016: RM19.5 million; 31 December 2017: RM11.2 million). Our revenue for FYE 31 December 2018 may decrease due to the VAXUCO project which has a contract value of RM19.1 million having been completed in October 2017. Riding on our competitive strengths as set out in **Section 5.8.11** of this Prospectus, our Group is committed towards the growth of our Group's business.

We are subject to seasonality due to the annual budget cycles of certain of our customers, whereby we usually have higher billings in the second half of the year, as highlighted in **Section 5.8.12.1** of this Prospectus.

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25 SEP 2018

The Board of Directors
Securemetric Berhad
Level 5-E-06, Enterprise 4
Technology Park Malaysia
Lebuhraya Puchong-Sg. Besi
Bukit Jalil
57000 Kuala Lumpur

Dear Sirs,

SECUREMETRIC BERHAD ("SECUREMETRIC" OR "THE COMPANY")
ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus of Securemetric in relation to the proposed listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing") as defined in Section 2 of this report.

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2. DETAILS OF THE LISTING

2.1 Restructuring

In preparation of the Listing, Securemetric has undertaken restructuring as set out below:

(a) Acquisition of Securemetric Technology Sdn. Bhd. ("Securemetric Malaysia")

Securemetric had on 2 February 2018 entered into a conditional Share Sale and Purchase Agreement ("SSPA") (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest in Securemetric Malaysia comprising 1,000,000 ordinary shares for a purchase consideration of RM9,916,998, satisfied through the issuance of 123,962,475 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Malaysia, as follows:

Vendors	No. of Securemetric Malaysia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	890,000	89.00	110,326,603
Nioo Yu Siong	110,000	11.00	13,635,872
Total	**1,000,000**	**100.00**	**123,962,475**

The purchase consideration was based on Securemetric Malaysia's audited net assets ("NA") as at 31 December 2016 of RM9,917,500 and is at a discount of RM502 or 0.01% to the audited NA.

The acquisition of Securemetric Malaysia was completed on 31 July 2018. Thereafter, Securemetric Malaysia became the wholly-owned subsidiary company of Securemetric.

(b) Acquisition of Securemetric Technology Co., Ltd ("Securemetric Vietnam")

Securemetric had on 2 February 2018 entered into separate conditional Sale and Purchase Agreement ("SPA") (as supplemented by the supplemental agreements all dated 19 July 2018) with each of the Vendors of Securemetric Vietnam to acquire Securemetric Vietnam's entire USD100,000 contributed charter capital, satisfied through a total cash consideration of USD165,192 (equivalent to RM644,000 at the exchange rate of USD1.00: RM3.89850 as mutually agreed in the agreements).

The purchase consideration was based on Securemetric Vietnam's audited NA as at 31 December 2016 of RM644,549 and is at a discount of RM549 or 0.09% to the audited NA. The conditional sale and purchase agreements are governed by the laws of Vietnam. The acquisition of Securemetric Vietnam was completed on 4 September 2018. Thereafter, Securemetric Vietnam became the wholly-owned subsidiary company of Securemetric.

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2. DETAILS OF THE LISTING (CONT'D)

2.1 Restructuring (Cont'd)

In preparation of the Listing, Securemetric has undertaken restructuring as set out below: (Cont'd)

(b) Acquisition of Securemetric Technology Co., Ltd ("Securemetric Vietnam") (Cont'd)

The Vendors of Securemetric Vietnam had advanced cash of USD165,192 (equivalent in amount to the purchase consideration) to Securemetric. The advances had been capitalised with the issuance of 8,050,000 new Securemetric Shares at RM0.08 each to the Vendors of Securemetric Vietnam.

The Acquisition of Securemetric Vietnam was satisfied in cash because under Vietnamese law, any form of consideration other than cash would require an independent valuation to be undertaken on the consideration (namely, the new Securemetric Shares to be issued). The valuation may be time consuming, involve additional cost and furthermore be subject to challenge by the relevant Vietnamese licensing authority. Such an arrangement is not in breach of any laws in Vietnam and Malaysia.

The Vendors of Securemetric Vietnam have received new Securemetric Shares from the capitalisation of their advances as follows:

Vendors	Advances made to Securemetric (USD)	%	No. of Securemetric Shares issued
Law Seeh Key	80,944	49.00	3,944,500
Li Jianjun	79,292	48.00	3,864,000
Nioo Yu Siong	4,956	3.00	241,500
Total	**165,192**	**100.00**	**8,050,000**

(c) Acquisition of Securemetric Technology, Inc. ("Securemetric Philippines")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 99.997% equity interest in Securemetric Philippines comprising 99,997 shares for a purchase consideration of RM681,000, satisfied through the issuance of 8,512,500 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Philippines, as follows:

Vendors	No. of Securemetric Philippines shares	%	No. of Securemetric Shares issued as consideration
Nioo Yu Siong	87,911	87.911	7,483,648
Law Seeh Key	12,086	12.086	1,028,852
Total	**99,997**	**99.997**	**8,512,500**

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2. DETAILS OF THE LISTING (CONT'D)

2.1 Restructuring (Cont'd)

In preparation of the Listing, Securemetric has undertaken restructuring as set out below: (Cont'd)

(c) Acquisition of Securemetric Technology, Inc. ("Securemetric Philippines") (Cont'd)

The purchase consideration was based on Securemetric Philippines' adjusted NA as at 31 December 2016 of RM681,238 (comprising audited NA of RM266,395 adjusted for the increase in issued share capital of RM414,843) and is at a discount of RM238 or 0.03% to the adjusted NA.

The acquisition of Securemetric Philippines was completed on 4 September 2018. Thereafter, Securemetric Philippines became 99.997% owned subsidiary company of Securemetric.

(d) Acquisition of PT Securemetric Technology ("Securemetric Indonesia")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire the entire 100% equity interest in Securemetric Indonesia comprising 100,000 shares for a purchase consideration of RM1,358,000, satisfied through the issuance of 16,975,000 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Indonesia, as follows:

Vendors	No. of Securemetric Indonesia shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	47,000	47.00	7,978,250
Nioo Yu Siong	5,000	5.00	848,750
Li Jianjun	48,000	48.00	8,148,000
Total	**100,000**	**100.00**	**16,975,000**

The purchase consideration was based on Securemetric Indonesia's audited NA as at 31 December 2016 of RM1,358,878 and is at a discount of RM878 or 0.06% to the audited NA.

The acquisition of Securemetric Indonesia was completed on 4 September 2018. Thereafter, Securemetric Indonesia became the wholly-owned subsidiary company of Securemetric.

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2. DETAILS OF THE LISTING (CONT'D)

2.1 Restructuring (Cont'd)

In preparation of the Listing, Securemetric has undertaken restructuring as set out below: (Cont'd)

(e) Acquisition of Securemetric Technology Pte Ltd ("Securemetric Singapore")

Securemetric had on 2 February 2018 entered into a conditional SSPA (as supplemented by the supplemental agreement dated 19 July 2018) to acquire entire 100% equity interest in Securemetric Singapore comprising 50,000 shares for a purchase consideration of RM275,000, satisfied through the issuance of 3,437,500 new Securemetric Shares at RM0.08 each to the vendors of Securemetric Singapore, as follows:

Vendors	No. of Securemetric Singapore shares	%	No. of Securemetric Shares issued as consideration
Law Seeh Key	44,500	89.00	3,059,375
Nioo Yu Siong	5,500	11.00	378,125
Total	**50,000**	**100.00**	**3,437,500**

The purchase consideration was based on Securemetric Singapore's audited NA as at 31 December 2016 of RM275,401 and is at a discount of RM401 or 0.15% to the adjusted NA. The completion of the

The acquisition of Securemetric Singapore was completed on 4 September 2018. Thereafter, Securemetric Singapore became the wholly-owned subsidiary company of Securemetric.

(f) Acquisition of PT Softkey Indonesia ("Softkey Indonesia")

Securemetric had on 2 February 2018 entered into a conditional SSPA agreement (as supplemented by the supplemental agreement dated 19 July 2018) to acquire 80% equity interest in Softkey Indonesia comprising 80,000 shares for a purchase consideration of RM1,173,000, satisfied through the issuance of 14,662,500 new Securemetric Shares at RM0.08 each to the vendor of Softkey Indonesia, as follows:

Vendor	No. of Softkey Indonesia shares	%	No. of Securemetric Shares issued as consideration
Yong Kim Fui	80,000	80.00	14,662,500

The purchase consideration was based on Softkey Indonesia's audited NA as at 31 December 2016 of RM1,467,478 and is at a discount of RM982 or 0.08% to the audited NA.

The acquisition of Softkey Indonesia was completed on 4 September 2018. Thereafter, Softkey Indonesia became 80% owned subsidiary company of Securemetric.

[2.1(a) to 2.1(f) are collectively referred as "Acquisitions" or "Restructuring"]

2. DETAILS OF THE LISTING (CONT'D)

2.1 Restructuring (Cont'd)

In preparation of the Listing, Securemetric has undertaken restructuring as set out below: (Cont'd)

The new Securemetric Shares to be issued pursuant to the Acquisitions will rank *pari passu* in all respects with the existing Securemetric Shares except that the new Securemetric Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid, the entitlement date of which is prior to the date or allotment of the said new Securemetric Shares.

2.2 Public Issue

The Company is issuing 68,000,000 IPO ("Initial Public Offering") Shares at an issue price of RM0.25 each, representing approximately 27.9% of the enlarged total number of issued Shares of the Company, to be allocated and allotted in the following manner:

(a) Malaysian Public via Balloting

17,000,000 IPO Shares, representing 7.0% of the enlarged total number of issued Shares of the Company will be made available for application by the Malaysian Public through a balloting process, of which at least 50% is to be set aside for Bumiputra investors.

(b) Eligible employees of Securemetric and its proposed subsidiary companies ("Securemetric Group") or ("Group")

3,000,000 IPO Shares, representing approximately 1.2% of the enlarged total number of issued Shares of the Company are reserved for application by Securemetric Group's eligible employees.

(c) Private placement to selected investors

48,000,000 IPO Shares (being Pink Form Allocations), representing approximately 19.7% of the total number of issued Shares of the Company are reserved for private placement to selected investors.

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2. DETAILS OF THE LISTING (CONT'D)

2.3 Utilisation of Proceeds

The gross proceeds arising from the Public Issue will be utilised by Securemetric in the following manner:

	Estimated time frame for use of proceeds upon Listing	RM	%
Business expansion	Within 24 months	1,700,000	10.0
Development of new digital security solutions	Within 24 months	5,700,000	33.5
Repayment of borrowings	Within 24 months	1,942,000	11.4
Working capital	Within 24 months	5,158,000	30.4
Listing expenses	Within 1 month	2,500,000	14.7
Total gross proceeds		17,000,000	100.0

2.4 Listing

Upon completion of the Acquisitions and Public Issue, Securemetric will seek the listing of and quotation for its entire enlarged Shares of RM31,048,000 (before deducting defrayment of estimated expenses for the issuance of shares of RM2,500,000) comprising 243,600,000 Securemetric Shares on the ACE Market of Bursa Securities.

3. GENERAL INFORMATION

3.1 Background information

Securemetric was incorporated in Malaysia under the Companies Act, 2016 on 6 June 2017 as a private limited company under the name of Securemetric Sdn. Bhd.. Subsequently, on 12 September 2017, the Company was converted into a public limited company and assumed its present name.

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3. GENERAL INFORMATION (CONT'D)

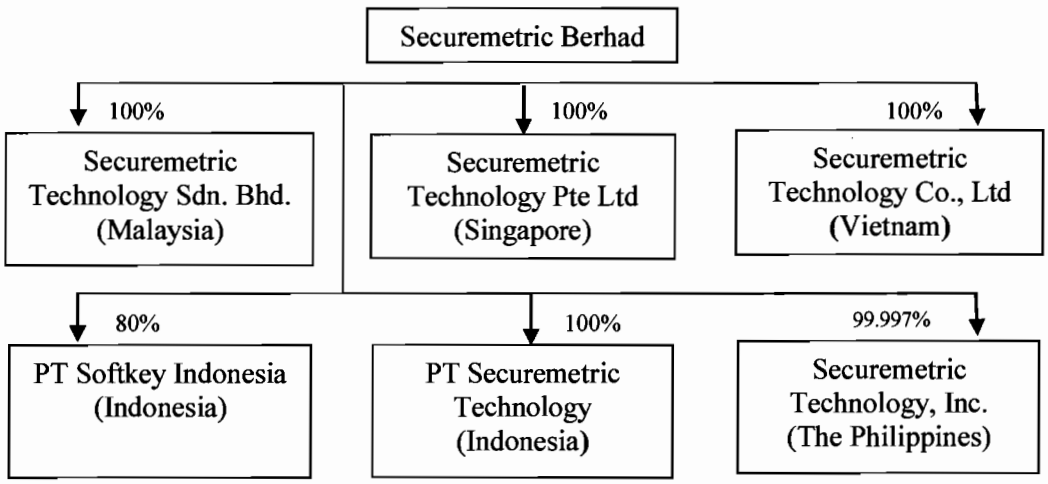
3.2 Share capital

The movements in the issued share capital of Securemetric since its incorporation to date of report are as follows:

			<------- Cumulative Total -------->	
Date of Allotment	**Consideration**	**Number of Shares Allotted**	**Number of Shares**	**Total Issued Shares RM**
6 June 2017	Cash: Subscribers' shares	1	1	1
20 August 2017	Cash	1	2	2
28 September 2017	Share split	-	25	2
20 July 2018	Otherwise	123,962,475	123,962,500	9,917,000
4 September 2018	Otherwise	43,587,500	167,550,000	13,404,000
5 September 2018	Otherwise	8,050,000	175,600,000	14,048,000

3.3 Group structure

The group structure of Securemetric Group as at the date of this report is as follows:



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3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities

Details of combining entities are as follows:

Name of company	Country of incorporation	Effective interest					Principal activities
		At 31 December			At 30 April		
		2015 %	2016 %	2017 %	2017 %	2018 %	
Direct Holding:							
Securemetric Technology Sdn. Bhd. ("Securemetric Malaysia")	Malaysia	100	100	100	100	100	Provision of digital security solutions as well as trading of electronic identification products, and other related services.

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3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest					Principal activities
		At 31 December			At 30 April		
		2015 %	2016 %	2017 %	2017 %	2018 %	
Direct Holding:							
Securemetric Technology Co., Ltd ("Securemetric Vietnam")	Vietnam	100	100	100	100	100	(i) to invent, patent and develop digital security solutions and devices, software copyright protection, 2-factor authentication, smart card and smart card reader solutions and customized software solutions; (ii) to provide computer consultancy services on solutions and integration of digital security devices, software copyright protection, 2-factor authentication solutions, smart card solution, smart card reader and customized software solutions; and (iii) performing export rights, import rights, wholesale distribution rights (no wholesale establishment) and retail distribution rights (no retail establishment) of products and goods in accordance with the laws (CPC 622-632). The specific contents shall comply with the Business License granted by the competent agency to the economic organisation executing the projects.

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3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest					Principal activities
		At 31 December			At 30 April		
		2015 %	2016 %	2017 %	2017 %	2018 %	
Direct Holding:							
Securemetric Technology, Inc. ("Securemetric Philippines")	The Philippines	99.997	99.997	99.997	99.997	99.997	Provision of digital security solutions as well as trading of electronic identification products, and other related services.

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3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest					Principal activities
		At 31 December			At 30 April		
		2015 %	2016 %	2017 %	2017 %	2018 %	
Direct Holding:							
PT Securemetric Technology ("Securemetric Indonesia")	Indonesia	100	100	100	100	100	Engaged in trade and services with the following business activities: (i) conducting business in the field of business management consulting services in the field of information technology; (ii) to conduct business in the field of trade, export and import, wholesalers, supplier, purveyor and commission house, distributor, agent, and as representative of corporate bodies, trading, computer, electronic equipment, telecommunication equipment, trading of telecommunication transmission equipment, trading of telecommunication and multimedia equipment.

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3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest					Principal activities
		At 31 December			At 30 April		
		2015 %	2016 %	2017 %	2017 %	2018 %	
Direct Holding:							
Securemetric Technology Pte. Ltd. ("Securemetric Singapore")	Singapore	100	100	100	100	100	Trading of electronic identification products, and other related services.

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3. GENERAL INFORMATION (CONT'D)

3.4 Combining entities (Cont'd)

Details of combining entities are as follows: (Cont'd)

Name of company	Country of incorporation	Effective interest					Principal activities
		At 31 December			At 30 April		
		2015 %	2016 %	2017 %	2017 %	2018 %	
Direct Holding:							
PT Softkey Indonesia ("Softkey Indonesia")	Indonesia	80	80	80	80	80	Engaged in major trade (major distributor) and import with the following business activities: (i) major distributors of merchandise include electronic security equipment such as alarms, fingerprints and attendance and other items that are not prohibited; (ii) import of merchandise, among others, electronic security equipment such as alarms, fingerprints and attendance and other items that are not prohibited.

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4. RELEVANT FINANCIAL YEARS/PERIOD

The relevant financial years/period of the audited combined financial statements presented for the purpose of this report ("Relevant Financial Years/Period") for the Relevant Financial Years/Period are set out below:

Companies	Relevant Financial Years/Period
Securemetric	Financial period ended ("FPE") 31 December 2017 #
	FPE 30 April 2018
Securemetric Malaysia	Financial year ended ("FYE") 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Securemetric Vietnam	FYE 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Securemetric Philippines	FYE 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Securemetric Indonesia	FYE 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Securemetric Singapore	FPE 31 December 2015 *
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018
Softkey Indonesia	FYE 31 December 2015
	FYE 31 December 2016
	FYE 31 December 2017
	FPE 30 April 2018

The audited financial statements of the above companies for the Relevant Financial Years/Period were reported without any audit qualification.

Notes:

\# *Incorporated on 6 June 2017*

* *Incorporated on 8 July 2015*

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5. COMBINED FINANCIAL STATEMENTS AND BASIS OF PREPARATION

This report has been prepared based on the combined financial statements of Securemetric, Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia which were drawn up so as to give a true and fair view of the financial position of the Securemetric Group which is reported by us without qualifications. The combined financial statements of Securemetric Group has been prepared solely for the purpose of the Listing and for no other purpose.

The combined financial statements consist of the financial statements of combining entities, which were under common control throughout the reporting periods by virtue of common controlling shareholders, and has been accounted for as a business combination under common control in a manner similar to pooling of interests.

Accordingly, the combined financial statements for FYE 31 December 2015, FYE 31 December 2016, FYE 31 December 2017, and FPE 30 April 2018 have been prepared on the basis of merger accounting and comprise the financial statements of the combining entities which are under common control of shareholders that existed prior to the Listing during the relevant reporting periods or since their respective date of incorporation.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting periods.

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25 SEP 2018

The Board of Directors
Securemetric Berhad
Level 5-E-06, Enterprise 4
Technology Park Malaysia
Lebuhraya Puchong-Sg. Besi
Bukit Jalil
57000 Kuala Lumpur

Dear Sirs,

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Securemetric Berhad

Opinion

We have audited the accompanying combined financial statements of Securemetric Berhad ("Securemetric" or "the Company") and its proposed subsidiary companies ("the Group"), which comprise the combined statements of financial position as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018 of the Group, and the 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/period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 21 to 128.

The combined financial statements have been prepared for inclusion in the prospectus of Securemetric in connection with the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad (the "Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Prospectus Guidelines") and is given for the purpose of complying with the Prospectus Guidelines and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, 31 December 2016, 31 December 2017 and 30 April 2018, and of their financial performance and their cash flows for the financial years/period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Securemetric Berhad (Cont'd)

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 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.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Responsibilities of the Directors for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group 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 has no realistic alternative but to do so.

Reporting Accountants' Responsibilities 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 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 the combined financial statements.

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Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Securemetric Berhad (Cont'd)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment 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 the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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 represent the underlying transactions and events in a manner that achieves 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.

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Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Securemetric Berhad (Cont'd)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

This report is made solely to the Directors of the Company, as a body, for inclusion in the Prospectus of Securemetric in connection with the proposed listing of and quotation for the entire enlarged issued share capital of Securemetric on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes. Accordingly, we do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

NG WEE TEIK
Approved Number: 1817/12/2018 (J)
Chartered Accountant

KUALA LUMPUR

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2015 RM	At 31 December 2016 RM	At 31 December 2017 RM	At 30 April 2017 RM	At 30 April 2018 RM
Assets						
Non-Current Assets						
Property, plant and equipment	3	419,565	501,156	745,452	541,334	674,366
Development expenditure	4	1,324,374	2,330,014	1,933,611	2,330,014	1,772,477
Other investment	5	64,538	115,046	251,137	119,255	233,459
Deferred tax assets	6	66,958	42,197	34,608	143,476	99,607
		1,875,435	2,988,413	2,964,808	3,134,079	2,779,909
Current Assets						
Inventories	7	2,185,537	1,973,521	2,084,349	2,443,930	2,188,913
Other investment	5	-	-	-	-	1,000,387
Trade receivables	8	4,165,658	8,528,162	15,230,910	2,621,802	4,841,185
Other receivables	9	2,540,559	1,923,599	3,744,835	2,464,516	3,769,850
Tax recoverable		102,658	61,422	74,924	74,612	174,651
Fixed deposits with licensed banks	10	983,954	154,416	2,740,295	4,197,784	4,896,448
Cash and bank balances	11	2,798,996	7,243,757	14,509,982	6,290,641	9,826,745
		12,777,362	19,884,877	38,385,295	18,093,285	26,698,179
Total Assets		14,652,797	22,873,290	41,350,103	21,227,364	29,478,088

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	At 31 December 2015 RM	At 31 December 2016 RM	At 31 December 2017 RM	At 30 April 2017 RM	At 30 April 2018 RM
Equity						
Share capital	12	2,229,478	2,705,439	2,705,441	2,705,439	3,043,337
Reserves	13	(50,418)	175,855	(57,430)	197,790	(394,893)
Retained earnings		8,804,843	10,630,333	16,646,642	9,119,220	16,156,949
Equity attributable to owners of the parent		10,983,903	13,511,627	19,294,653	12,022,449	18,805,393
Non-controlling interests		206,244	216,702	252,192	222,612	243,354
Total equity		11,190,147	13,728,329	19,546,845	12,245,061	19,048,747
Liabilities						
Non-Current Liabilities						
Other payables	14	298,301	-	-	-	-
Finance lease payables	15	12,172	-	-	-	-
Bank borrowings	16	-	1,644,395	1,995,195	2,344,201	1,799,596
		310,473	1,644,395	1,995,195	2,344,201	1,799,596
Current Liabilities						
Trade payables	17	1,474,962	2,315,535	8,198,005	1,461,657	750,834
Other payables	14	1,606,128	4,813,390	10,776,817	4,643,171	7,272,718
Amount due to customer on contract	18	-	-	270,898	-	-
Finance lease payables	15	15,283	12,172	-	6,842	-
Bank borrowings	16	23,194	355,605	552,604	524,140	568,983
Tax payable		32,610	3,864	9,739	2,292	37,210
		3,152,177	7,500,566	19,808,063	6,638,102	8,629,745
Total Liabilities		3,462,650	9,144,961	21,803,258	8,982,303	10,429,341
Total Equity and Liabilities		14,652,797	22,873,290	41,350,103	21,227,364	29,478,088

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		FYE 31 December			FPE 30 April	
	Note	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Revenue	19	16,977,641	24,752,973	44,766,812	6,328,818	6,969,759
Cost of sales	20	(7,724,020)	(11,983,907)	(23,523,693)	(3,583,719)	(2,996,757)
Gross profit		9,253,621	12,769,066	21,243,119	2,745,099	3,973,002
Other income		615,987	76,247	715,325	67,887	434,194
Administrative expenses		(6,806,694)	(8,457,570)	(15,501,262)	(4,323,893)	(4,740,112)
Finance costs	21	(6,972)	(1,597)	(255,023)	(91,586)	(74,181)
Profit/(Loss) before tax	22	3,055,942	4,386,146	6,202,159	(1,602,493)	(407,097)
Taxation	23	(128,855)	(48,005)	(119,849)	97,290	(69,246)
Profit/(Loss) for the financial year/period		2,927,087	4,338,141	6,082,310	(1,505,203)	(476,343)

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	FYE 31 December 2015 RM	FYE 31 December 2016 RM	FYE 31 December 2017 RM	FPE 30 April 2017 RM	FPE 30 April 2018 RM
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss						
Available-for-sale financial asset - current year/period gain		-	50,508	136,091	4,209	-
Exchange translation differences for foreign operations		296,486	193,572	(403,161)	14,452	(341,973)
		296,486	244,080	(267,070)	18,661	(341,973)
Items that will not be reclassified subsequently to profit or loss						
Financial asset at fair value through other comprehensive income - current year/period loss		-	-	-	-	(17,678)
Total comprehensive income for the financial year/period		3,223,573	4,582,221	5,815,240	(1,486,542)	(835,994)
Profit/(Loss) for the financial year/period attributable to:						
Owners of the parent		2,863,852	4,345,490	6,016,309	(1,511,113)	(489,693)
Non-controlling interests		63,235	(7,349)	66,001	5,910	13,350
		2,927,087	4,338,141	6,082,310	(1,505,203)	(476,343)
Total comprehensive income attributable to:						
Owners of the parent		3,135,477	4,571,763	5,779,750	(1,492,452)	(827,156)
Non-controlling interests		88,096	10,458	35,490	5,910	(8,838)
		3,223,573	4,582,221	5,815,240	(1,486,542)	(835,994)
Earnings/(Loss) per share						
Basic earnings/(loss) per share (RM)	24	2.91	3.18	4.28	(1.07)	(0.34)

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					
	Non-Distributable		Distributable			
	Share Capital RM	Foreign Currency Translation Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2015	1,289,098	(322,043)	6,740,991	7,708,046	118,148	7,826,194
Profit for the financial year	-	-	2,863,852	2,863,852	63,235	2,927,087
Other comprehensive income for the financial year	-	271,625	-	271,625	24,861	296,486
Total comprehensive income for the financial year	-	271,625	2,863,852	3,135,477	88,096	3,223,573
Transaction with owners						
Issue of ordinary shares	940,380	-	(800,000)	140,380	-	140,380
At 31 December 2015	2,229,478	(50,418)	8,804,843	10,983,903	206,244	11,190,147

SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent					Non-Controlling Interests RM	Total Equity RM
		Non-Distributable			Distributable			
		Share Capital RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Retained Earnings RM	Total RM		
At 1 January 2016		2,229,478	-	(50,418)	8,804,843	10,983,903	206,244	11,190,147
Profit for the financial year		-	-	-	4,345,490	4,345,490	(7,349)	4,338,141
Other comprehensive income for the financial year		-	50,508	175,765	-	226,273	17,807	244,080
Total comprehensive income for the financial year		-	50,508	175,765	4,345,490	4,571,763	10,458	4,582,221
Transactions with owners								
Dividends paid	25	-	-	-	(2,520,000)	(2,520,000)	-	(2,520,000)
Issue of ordinary shares		475,961	-	-	-	475,961	-	475,961
		475,961	-	-	(2,520,000)	(2,044,039)	-	(2,044,039)
At 31 December 2016		2,705,439	50,508	125,347	10,630,333	13,511,627	216,702	13,728,329

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent						Non-Controlling Interests RM	Total Equity RM
		Non-Distributable				Distributable			
		Share Capital RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Retained Earnings RM	Total RM		
At 1 January 2017		2,705,439	50,508	125,347	-	10,630,333	13,511,627	216,702	13,728,329
Profit for the financial year		-	-	-	-	6,016,309	6,016,309	66,001	6,082,310
Other comprehensive income for the financial year		-	136,091	(372,650)	-	-	(236,559)	(30,511)	(267,070)
Total comprehensive income for the financial year		-	136,091	(372,650)	-	6,016,309	5,779,750	35,490	5,815,240
Tax amnesty	13(c)	-	-	-	3,274	-	3,274	-	3,274
Transactions with owners									
Issue of ordinary shares		2	-	-	-	-	2	-	2
At 31 December 2017		2,705,441	186,599	(247,303)	3,274	16,646,642	19,294,653	252,192	19,546,845

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		Attributable to owners of the parent							
		Non-Distributable				Distributable			
	Note	Share Capital RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2017		2,705,439	50,508	125,347	-	10,630,333	13,511,627	216,702	13,728,329
(Loss)/Profit for the financial period		-	-	-	-	(1,511,113)	(1,511,113)	5,910	(1,505,203)
Other comprehensive income for the financial period		-	4,209	14,452	-	-	18,661	-	18,661
Total comprehensive income for the financial period		-	4,209	14,452	-	(1,511,113)	(1,492,452)	5,910	(1,486,542)
Tax amnesty	13(c)	-	-	-	3,274	-	3,274	-	3,274
At 30 April 2017		2,705,439	54,717	139,799	3,274	9,119,220	12,022,449	222,612	12,245,061

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent							
		Non-Distributable				Distributable			
		Share Capital RM	Fair Value Adjustment Reserve RM	Foreign Currency Translation Reserve RM	Other Reserve RM	Retained Earnings RM	Total RM	Non-Controlling Interests RM	Total Equity RM
At 1 January 2018		2,705,441	186,599	(247,303)	3,274	16,646,642	19,294,653	252,192	19,546,845
(Loss)/Profit for the financial period		-	-	-	-	(489,693)	(489,693)	13,350	(476,343)
Other comprehensive income for the financial period		-	(17,678)	(319,785)	-	-	(337,463)	(22,188)	(359,651)
Total comprehensive income for the financial period		-	(17,678)	(319,785)	-	(489,693)	(827,156)	(8,838)	(835,994)
Transactions with owners									
Issue of ordinary shares		337,896	-	-	-	-	337,896	-	337,896
At 30 April 2018		3,043,337	168,921	(567,088)	3,274	16,156,949	18,805,393	243,354	19,048,747

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CASH FLOWS

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Cash Flows From Operating Activities					
Profit/(Loss) before tax	3,055,942	4,386,146	6,202,159	(1,602,493)	(407,097)
Adjustments for:					
Amortisation of development expenditure	-	-	483,403	-	161,134
Inventories written off	-	2,972	74,557	-	-
Impairment losses on available-for-sale financial asset	173,972	-	-	-	-
Depreciation of property, plant and equipment	150,967	176,486	203,321	55,269	89,671
Government grant income	-	-	(450,035)	-	(150,011)
Finance costs	6,972	1,597	255,023	91,586	74,181
Dividend income	-	-	-	-	(387)
Interest income	(35,161)	(44,894)	(146,456)	(10,274)	(50,961)
Loss/(Gain) on disposal of property, plant and equipment	-	4,432	(749)	-	-
Unrealised (gain)/loss on foreign exchange	(201,228)	(5,857)	334,575	174,590	(199,479)
Property, plant and equipment written off	-	-	11,012	-	-
Operating profit/(loss) before working capital changes	3,151,464	4,520,882	6,966,810	(1,291,322)	(482,949)
Changes in working capital:					
Inventories	(292,914)	209,044	(185,385)	(470,409)	(104,564)
Receivables	(3,077,629)	(3,670,605)	(8,961,010)	5,166,811	10,500,663
Payables	662,377	3,380,547	11,604,164	(1,573,341)	(11,021,608)
Amount due to customer on contract	-	-	270,898	-	(270,898)
	(2,708,166)	(81,014)	2,728,667	3,123,061	(896,407)
Cash generated from/(used in) operations	443,298	4,439,868	9,695,477	1,831,739	(1,379,356)
Interest paid	(6,972)	(1,597)	(255,023)	(91,586)	(74,181)
Interest received	35,161	44,894	146,456	10,274	50,961
Tax paid	(154,007)	(13,155)	(125,802)	(22,069)	(207,974)
Exchange fluctuation adjustment	278,323	189,478	(383,452)	19,605	(323,374)
	152,505	219,620	(617,821)	(83,776)	(554,568)
Net cash from/(used in) operating activities	595,803	4,659,488	9,077,656	1,747,963	(1,933,924)

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Cash Flows From Investing Activities					
Additional development expenditure	(1,324,374)	(1,005,640)	(87,000)	-	-
Payment for tax amnesty	-	-	3,274	3,274	-
Purchase of other investment	-	-	-	-	(1,000,000)
Purchase of property, plant and equipment	(267,829)	(256,627)	(473,683)	(97,282)	(35,712)
Proceeds from disposal of property, plant and equipment	-	612	2,009	-	-
Net cash used in investing activities	(1,592,203)	(1,261,655)	(555,400)	(94,008)	(1,035,712)
Cash Flows From Financing Activities					
Repayment of term loans	(65,302)	(23,194)	(452,201)	(131,659)	(179,220)
Drawdown of term loan	-	2,000,000	1,000,000	1,000,000	-
Proceeds from issue of shares	140,380	-	2	-	337,896
Grant received	455,270	792,445	1,002,459	621,000	-
Dividends paid (Note 25)	-	(2,520,000)	-	-	-
(Increase)/Decrease in fixed deposits pledged	(2,714)	(69,462)	(2,585,879)	(2,443,725)	27,847
Repayment of finance lease liabilities	(14,174)	(15,283)	(12,172)	(5,330)	-
Net cash from/(used in) financing activities	513,460	164,506	(1,047,791)	(959,714)	186,523

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SECUREMETRIC BERHAD
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Net (decrease)/increase in cash and cash equivalents	(482,940)	3,562,339	7,474,465	694,241	(2,783,113)
Effect of exchange translation differences on cash and cash equivalents	114,014	(16,578)	(208,240)	(47,714)	283,876
Cash and cash equivalents at the beginning of the financial year/period	4,066,922	3,697,996	7,243,757	7,243,757	14,509,982
Cash and cash equivalents at the end of the financial year/period	3,697,996	7,243,757	14,509,982	7,890,284	12,010,745
Cash and cash equivalents at the end of the financial year/period comprises:					
Cash and bank balances	2,798,996	7,243,757	14,509,982	6,290,641	9,826,745
Fixed deposits with licensed banks	983,954	154,416	2,740,295	4,197,784	4,896,448
	3,782,950	7,398,173	17,250,277	10,488,425	14,723,193
Less: Fixed deposits pledged with licensed banks	(84,954)	(154,416)	(2,740,295)	(2,598,141)	(2,712,448)
	3,697,996	7,243,757	14,509,982	7,890,284	12,010,745

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS

1. **Basis of preparation**

(a) **Statement of compliance**

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS").

The combined financial statements have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

The Group has adopted the following new MFRSs, new interpretation and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for:

FYE 31 December 2017

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 - 2016 Cycle	Amendments to MFRS 12

The adoption of the above amendments to MFRSs did not have any significant impact on the combined financial statements of the Group except for Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities as disclosed in Note 32 to the combined financial statements.

FPE 30 April 2018

Annual Improvements to MFRSs 2014 - 2016 Cycle:

- Amendments to MFRS 1
- Amendments to MFRS 128

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Adoption of new and amended standards (Cont'd)

The Group has adopted the following new MFRSs, new interpretation and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for: (Cont'd)

FPE 30 April 2018

Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The effects of the adoption of applicable new MFRSs above are summarised below:

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investment in equity instruments are required to be measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI not subsequently recycling to profit or loss.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Adoption of new and amended standards (Cont'd)

The Group has adopted the following new MFRSs, new interpretation and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for: (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

The Directors of the Group have assessed the impact of MFRS 9 to the Company's financial statements as follows:

(1) Classification and measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:

(i) Amortised Cost ("AC");
(ii) Fair Value through Other Comprehensive Income ("FVOCI"); and
(iii) Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Adoption of new and amended standards (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

The following table summarises the reclassification and measurement of the Group's financial assets as at 1 January 2018:

	Note	Measurement category		Carrying amount as at 1 January 2018	
		Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	New (MFRS 9)
Financial assets:					
Investment securities:					
- Quoted shares, in Malaysia	(a)	AFS	FVOCI	251,137	251,137
Trade receivables	(b)	Loans and receivables	AC	15,230,910	15,230,910
Other receivables which are financial assets	(b)	Loans and receivables	AC	615,799	615,799
Fixed deposits with licensed banks	(b)	Loans and receivables	AC	2,740,295	2,740,295
Cash and bank balances	(b)	Loans and receivables	AC	14,509,982	14,509,982

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Adoption of new and amended standards (Cont'd)

The effects of the adoption of applicable new MFRSs above are summarised below: (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

(1) Classification and measurement (Cont'd)

(a) The Group elected to present in other comprehensive income the changes in the fair value of its quoted shares (in Malaysia) previously classified as AFS, as the investment is not held for trading.

(b) Trade receivables, other receivables which are financial assets, fixed deposits with licensed banks and cash and bank balances that have previously been classified as loans and receivables are now classified as amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows.

There is no impact on the classification and measurement of the Group's financial liabilities.

(2) Impairment

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investment securities.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Adoption of new and amended standards (Cont'd)

The effects of the adoption of applicable new MFRSs above are summarised below: (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

(2) Impairment (Cont'd)

Under MFRS 9, loss allowances will be measured on either of the following bases:

(a) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; or

(b) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. A financial asset's credit risk deemed not increased significantly if the asset has low credit risk at the reporting date. However, the Group has adopted lifetime ECL measurements for loans and receivables due to the expected lifetime period of loans and receivables are generally less than 12 months.

The Group applies the simplified approach prescribed by MFRS 9 *Financial Instruments*, which requires a lifetime ECL to be recognised from initial recognition of the trade and other receivables which are financial assets.

(3) Hedge accounting

The Group does not adopt hedge accounting in the Group's combined financial statements. Hence, hedging requirements of MFRS 9 will not have any impact on the Group's financial statements.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Adoption of new and amended standards (Cont'd)

The effects of the adoption of applicable new MFRSs above are summarised below: (Cont'd)

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 *Revenue from Contracts with Customers* replaces MFRS 118 *Revenue* and MFRS 111 *Construction Contract* and related IC interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

(1) Identify the contracts with a customer;
(2) Identify the performance obligation in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contract;
(5) Recognise revenue when the entity satisfies a performance obligation.

The adoption of this Standard results in changes in accounting policies for revenue recognition and has no material financial impact other than the disclosures made in the Group's financial statements.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective

The Group has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group:

		Effective date for financial periods beginning on or after
IC Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long Term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
MFRS 16	Leases	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards		
• Amendments to MFRS 2 *Share-Based Payment*		1 January 2020
• Amendments to MFRS 3 *Business Combination*		1 January 2020
• Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*		1 January 2020
• Amendments to MFRS 14 *Regulatory Deferral Accounts*		1 January 2020
• Amendments to MFRS 101 *Presentation of Financial Statements*		1 January 2020
• Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*		1 January 2020

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

The Group has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group: (Cont'd)

		Effective date for financial periods beginning on or after
Amendments to References to the Conceptual Framework in MFRS Standards (Cont'd)		
• Amendments to MFRS 134 *Interim Financial Reporting*		1 January 2020
• Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*		1 January 2020
• Amendments to MFRS 138 *Intangible Assets*		1 January 2020
• Amendments to IC Interpretation 12 *Service Concession Arrangements*		1 January 2020
• Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*		1 January 2020
• Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*		1 January 2020
• Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advances Consideration*		1 January 2020
• Amendments to IC Interpretation 123 *Intangible Assets - Website Costs*		1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group intends to adopt the above new MFRSs, new interpretations and amendments to MFRSs when they become effective.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

The initial application of the abovementioned new MFRSs, new interpretations and amendments to MFRSs are not expected to have any significant impacts on the financial statements of the Group except as mentioned below:

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

(b) **Functional and presentation currency**

These combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(c) **Significant accounting judgments, estimates and assumptions**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment. The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 3 to the combined financial statements.

Development expenditure

The Group capitalises development expenditure for a project in accordance with the accounting policy. Initial capitalisation of development expenditure is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project milestones. In determining the amounts to be capitalised, the management is required to comply with the specifications as set out by Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("MOSTI"). The carrying amount at the reporting date for development expenditure is disclosed in Note 4 to the combined financial statements.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of preparation (Cont'd)**

(c) **Significant accounting judgments, estimates and assumptions (Cont'd)**

Key sources of estimation uncertainty (Cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7 to the combined financial statements.

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 30 April 2018, the Group has tax recoverable and tax payable of RM174,651 (31.12.2017: RM74,924, 30.4.2017: RM74,612, 31.12.2016: RM61,422, 31.12.2015: RM102,658) and RM37,210 (31.12.2017: RM9,739, 30.4.2017: RM2,292, 31.12.2016: RM3,864, 31.12.2015: RM32,610) respectively.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the Note 29(c) to the combined financial statements regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

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2. Significant accounting policies

The Group applies the significant accounting policies set out below, consistently throughout all periods presented in the combined financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiary companies are consolidated using merger method of accounting as the business combination of the subsidiary companies involved an entity under common control.

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. Any difference between the consideration paid and the share capital of the combined entities are reflected within equity as merger deficit.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognisedin profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(i) Subsidiary companies (Cont'd)

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Group's separate financial statements, investments in subsidiary companies are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2(k)(i) to the combined financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 2(k)(i) to the combined financial statements on impairment of non-financial assets.

(b) **Foreign currency translation**

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are recognised in profit or loss in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(b) **Foreign currency translation (Cont'd)**

(i) Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

The average and closing exchange rate used for the main currency of the Group as follows:

Financial year/period ended (average rate)			
31 December 2015	IDR1.00	:	RM0.00029
31 December 2016	IDR1.00	:	RM0.00031
31 December 2017	IDR1.00	:	RM0.00032
30 April 2017	IDR1.00	:	RM0.00033
30 April 2018	IDR1.00	:	RM0.00029
31 December 2015	VND1.00	:	RM0.00018
31 December 2016	VND1.00	:	RM0.00019
31 December 2017	VND1.00	:	RM0.00019
30 April 2017	VND1.00	:	RM0.00020
30 April 2018	VND1.00	:	RM0.00017
31 December 2015	PHP1.00	:	RM0.08625
31 December 2016	PHP1.00	:	RM0.08683
31 December 2017	PHP1.00	:	RM0.08492
30 April 2017	PHP1.00	:	RM0.08800
30 April 2018	PHP1.00	:	RM0.07525
31 December 2015	SGD1.00	:	RM2.85250
31 December 2016	SGD1.00	:	RM2.99750
31 December 2017	SGD1.00	:	RM3.11083
30 April 2017	SGD1.00	:	RM3.14000
30 April 2018	SGD1.00	:	RM2.96000
31 December 2015	USD1.00	:	RM3.93333
31 December 2016	USD1.00	:	RM4.14667
31 December 2017	USD1.00	:	RM4.27863
30 April 2017	USD1.00	:	RM4.40800
30 April 2018	USD1.00	:	RM3.90087

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(b) **Foreign currency translation (Cont'd)**

(i) Foreign currency transactions and balances (Cont'd)

The average and closing exchange rate used for the main currency of the Group as follows: (Cont'd)

Financial year/period ended (average rate)			
31 December 2015	EUR1.00	:	RM4.34333
31 December 2016	EUR1.00	:	RM4.56833
31 December 2017	EUR1.00	:	RM4.85778
30 April 2017	EUR1.00	:	RM4.72500
30 April 2018	EUR1.00	:	RM4.78092
As at (closing rate)			
31 December 2015	IDR1.00	:	RM0.00031
31 December 2016	IDR1.00	:	RM0.00033
31 December 2017	IDR1.00	:	RM0.00030
30 April 2017	IDR1.00	:	RM0.00033
30 April 2018	IDR1.00	:	RM0.00028
31 December 2015	VND1.00	:	RM0.00019
31 December 2016	VND1.00	:	RM0.00020
31 December 2017	VND1.00	:	RM0.00018
30 April 2017	VND1.00	:	RM0.00019
30 April 2018	VND1.00	:	RM0.00017
31 December 2015	PHP1.00	:	RM0.09200
31 December 2016	PHP1.00	:	RM0.09000
31 December 2017	PHP1.00	:	RM0.08100
30 April 2017	PHP1.00	:	RM0.08700
30 April 2018	PHP1.00	:	RM0.07600
31 December 2015	SGD1.00	:	RM3.04000
31 December 2016	SGD1.00	:	RM3.10000
31 December 2017	SGD1.00	:	RM3.03000
30 April 2017	SGD1.00	:	RM3.11000
30 April 2018	SGD1.00	:	RM2.96000
31 December 2015	USD1.00	:	RM4.29000
31 December 2016	USD1.00	:	RM4.49000
31 December 2017	USD1.00	:	RM4.04750
30 April 2017	USD1.00	:	RM4.34000
30 April 2018	USD1.00	:	RM3.92050

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(b) **Foreign currency translation (Cont'd)**

(i) Foreign currency transactions and balances (Cont'd)

The average and closing exchange rate used for the main currency of the Group as follows: (Cont'd)

As at (closing rate)			
31 December 2015	EUR1.00	:	RM4.69000
31 December 2016	EUR1.00	:	RM4.72000
31 December 2017	EUR1.00	:	RM4.84400
30 April 2017	EUR1.00	:	RM4.73210
30 April 2018	EUR1.00	:	RM4.74540

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operations reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(c) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(k)(i) to the combined financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(c) **Property, plant and equipment**

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Office equipment	10%
Computer and Information Technology (IT) equipment	33%
Exhibition equipment	20%
Furniture and fittings	10%
Renovation	10%
Motor vehicles	20%
Hostel equipment	10%

The residual values, useful lives and depreciation method are reviewed at the end 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 property, plant and equipment.

(d) **Intangible Assets**

(i) Internally-generated intangible assets – research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the assets;
- how the asset will generate future economic benefits;
- the availability of resources to complete; and
- the ability to measure reliably the expenditure during development.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(d) **Intangible assets (Cont'd)**

(i) Internally-generated intangible assets - research and development costs (Cont'd)

The amount initially recognised for internally–generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

See accounting policy Note 2(k)(i) to the combined financial statements on impairment of non-financial assets for intangible assets.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(e) **Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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2. **Significant accounting policies (Cont'd)**

(f) **Financial assets**

The Group applied the classification and measurement requirements for financial assets under MFRS 9 *Financial Instruments* effective from 1 January 2018. The comparative for FYE 31 December 2017, FPE 30 April 2017, FYE 31 December 2016 and FYE 31 December 2015 were not restated, and the classification and measurement requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* was still applied.

Financial assets are recognised on the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group determines the classification of financial assets upon initial recognition. The measurement for classification of financial assets under MFRS 9 *Financial Instruments* for FPE 30 April 2018 and MFRS 139 *Financial Instruments: Recognition and Measurement* for FYE 31 December 2017, FPE 30 April 2017, FYE 31 December 2016 and FYE 31 December 2015 are as below:

Categories in FPE 30 April 2018

(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.

After initial recognition, financial assets are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(f) **Financial assets (Cont'd)**

Categories in FPE 30 April 2018 (Cont'd)

(ii) Financial assets measured at fair value

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets 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 elects an irrevocable option to designate its equity financial instruments at initial recognition as financial assets measured at FVOCI 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 of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Categories in FYE 31 December 2015, FYE 31 December 2016, FPE 30 April 2017 and FYE 31 December 2017

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(f) **Financial assets (Cont'd)**

Categories in FYE 31 December 2015, FYE 31 December 2016, FPE 30 April 2017 and FYE 31 December 2015 (Cont'd)

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method 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 reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends from an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets has expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(g) **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group classify its financial liabilities at initial recognition, into financial liabilities measured at amortised cost.

The Group's financial liabilities comprise trade and other payables, amount due to a Director and loans and borrowings.

Trade and other payables and amount due to a Director are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(i) **Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of combined statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) **Impairment of assets**

(i) Non-financial assets

The carrying amounts of non-financial assets (except for 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. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(k) **Impairment of assets (Cont'd)**

(i) Non-financial assets (Cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(k) **Impairment of assets (Cont'd)**

(ii) Financial assets

The Group applied the impairment requirements for financial assets under MFRS 9 *Financial Instruments* for FPE 30 April 2018. The comparative for FYE 31 December 2017, FPE 30 April 2017, 31 December 2016 and FYE 31 December 2015 were not restated, and the impairment requirements under the previous MFRS 139 *Financial Instruments: Recognition and Measurement* were still applied.

Impairment based on ECL model in FPE 30 April 2018

The Group assesses at the end of each reporting period whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cashflows that are due to the Group and all the cash flows that the Group expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(k) **Impairment of assets (Cont'd)**

(ii) Financial assets (Cont'd)

Impairment based on incurred loss model in FYE 31 December 2015, 31 December 2016, FPE 30 April 2017 and FYE 31 December 2017

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(k) **Impairment of assets (Cont'd)**

(ii) Financial assets (Cont'd)

Impairment based on incurred loss model in FYE 31 December 2015, 31 December 2016, FPE 30 April 2017 and FYE 31 December 2015 (Cont'd)

Available-for-sale financial assets

Significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value of equity instrument, if any, subsequent to impairment loss is recognised other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(l) **Share capital**

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 equity instruments. Ordinary shares are recorded at the nominal value of shares issued. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(m) **Employee benefits**

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(n) **Revenue**

(i) Sales of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sales of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers.

(ii) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers or in proportion to the stage of completion of the transaction during the reporting period. The stage of completion is assessed by reference to the proportion that costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(o) **Income taxes**

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial period/year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant accounting policies (Cont'd)**

(p) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and transferred to profit or loss on a systematic basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Where the Group receives non-monetary government grants, the asset and the grant are recorded at nominal amount and transferred to profit or loss on a systematic basis over the life of the depreciable asset by way of a reduced depreciation charge.

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2. **Significant accounting policies (Cont'd)**

(r) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(s) **Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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3. Property, plant and equipment

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
31 December 2015								
Cost								
At 1 January 2015	66,174	486,496	8,484	50,240	21,172	45,000	3,309	680,875
Additions	43,765	46,802	-	42,614	-	125,209	9,439	267,829
Exchange differences	476	8,977	-	1,760	198	-	-	11,411
At 31 December 2015	110,415	542,275	8,484	94,614	21,370	170,209	12,748	960,115
Accumulated depreciation								
At 1 January 2015	31,602	292,215	7,765	28,625	15,373	3,750	1,524	380,854
Charge for the financial year	9,946	115,760	377	8,188	1,932	13,909	855	150,967
Exchange differences	(7,519)	15,054	-	687	199	308	-	8,729
At 31 December 2015	34,029	423,029	8,142	37,500	17,504	17,967	2,379	540,550
Carrying amount								
At 31 December 2015	76,386	119,246	342	57,114	3,866	152,242	10,369	419,565

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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3. Property, plant and equipment (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
31 December 2016								
Cost								
At 1 January 2016	110,415	542,275	8,484	94,614	21,370	170,209	12,748	960,115
Additions	17,249	203,878	-	35,500	-	-	-	256,627
Disposals	-	(5,949)	-	(4,086)	-	-	-	(10,035)
Exchange differences	689	3,496	-	395	132	8,078	-	12,790
At 31 December 2016	128,353	743,700	8,484	126,423	21,502	178,287	12,748	1,219,497
Accumulated depreciation								
At 1 January 2016	34,029	423,029	8,142	37,500	17,504	17,967	2,379	540,550
Charge for the financial year	12,203	124,670	342	11,373	1,932	24,693	1,273	176,486
Disposals	-	(3,778)	-	(1,213)	-	-	-	(4,991)
Exchange differences	397	4,070	-	392	132	1,305	-	6,296
At 31 December 2016	46,629	547,991	8,484	48,052	19,568	43,965	3,652	718,341
Carrying amount								
At 31 December 2016	81,724	195,709	-	78,371	1,934	134,322	9,096	501,156

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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3. Property, plant and equipment (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
31 December 2017								
Cost								
At 1 January 2017	128,353	743,700	8,484	126,423	21,502	178,287	12,748	1,219,497
Additions	18,840	383,067	-	10,538	44,438	16,800	-	473,683
Disposals	-	(97,964)	-	-	-	-	-	(97,964)
Written off	(25,933)	(64,461)	-	(12,356)	-	-	-	(102,750)
Exchange differences	(2,293)	(10,818)	-	(3,804)	(198)	(12,117)	-	(29,230)
At 31 December 2017	118,967	953,524	8,484	120,801	65,742	182,970	12,748	1,463,236
Accumulated depreciation								
At 1 January 2017	46,629	547,991	8,484	48,052	19,568	43,965	3,652	718,341
Charge for the financial year	17,966	130,656	-	13,096	12,738	27,592	1,273	203,321
Disposals	-	(96,704)	-	-	-	-	-	(96,704)
Written off	(15,812)	(64,201)	-	(11,725)	-	-	-	(91,738)
Exchange differences	(1,039)	(9,550)	-	(1,081)	(820)	(2,946)	-	(15,436)
At 31 December 2017	47,744	508,192	8,484	48,342	31,486	68,611	4,925	717,784
Carrying amount								
At 31 December 2017	71,223	445,332	-	72,459	34,256	114,359	7,823	745,452

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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3. Property, plant and equipment (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
30 April 2017								
Cost								
At 1 January 2017	128,353	743,700	8,484	126,423	21,502	178,287	12,748	1,219,497
Additions	10,601	13,590	-	7,409	48,882	16,800	-	97,282
Disposals	-	(95,792)	-	-	-	-	-	(95,792)
Exchange differences	(381)	(3,145)	-	(1,000)	-	-	-	(4,526)
At 30 April 2017	138,573	658,353	8,484	132,832	70,384	195,087	12,748	1,216,461
Accumulated depreciation								
At 1 January 2017	46,629	547,991	8,484	48,052	19,568	43,965	3,652	718,341
Charge for the financial period	5,950	32,065	-	4,298	3,699	8,833	424	55,269
Disposals	-	(95,792)	-	-	-	-	-	(95,792)
Exchange differences	(49)	(2,541)	-	(100)	-	(1)	-	(2,691)
At 30 April 2017	52,530	481,723	8,484	52,250	23,267	52,797	4,076	675,127
Carrying amount								
At 30 April 2017	86,043	176,630	-	80,582	47,117	142,290	8,672	541,334

SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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3. Property, plant and equipment (Cont'd)

	Office equipment RM	Computer and IT equipment RM	Exhibition equipment RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Hostel equipment RM	Total RM
30 April 2018								
Cost								
At 1 January 2018	118,967	953,524	8,484	120,801	65,742	182,970	12,748	1,463,236
Additions	6,137	23,506	-	4,950	-	1,119	-	35,712
Exchange differences	(2,327)	(11,891)	-	(2,792)	(3,094)	(8,078)	-	(28,182)
At 30 April 2018	122,777	965,139	8,484	122,959	62,648	176,011	12,748	1,470,766
Accumulated depreciation								
At 1 January 2018	47,744	508,192	8,484	48,342	31,486	68,611	4,925	717,784
Charge for the financial period	4,667	68,711	-	3,372	3,518	8,979	424	89,671
Exchange differences	(867)	(6,065)	-	(809)	(873)	(2,441)	-	(11,055)
At 30 April 2018	51,544	570,838	8,484	50,905	34,131	75,149	5,349	796,400
Carrying amount								
At 30 April 2018	71,233	394,301	-	72,054	28,517	100,862	7,399	674,366

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **Property, plant and equipment (Cont'd)**

The carrying amount of property, plant and equipment of the Group acquired under finance lease arrangement are as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Motor vehicles	32,250	23,250	14,250	20,250	-

4. **Development expenditure**

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
At 1 January	-	1,324,374	2,330,014	2,330,014	1,933,611
Additions	1,324,374	1,005,640	87,000	-	-
Amortisation	-	-	(483,403)	-	(161,134)
At 31 December/ 30 April	1,324,374	2,330,014	1,933,611	2,330,014	1,772,477

The development expenditure incurred for research and development of in-house developed centralised authentication management system ("CENTAGATE®"), which is funded through government grant received by the Group as disclosed in Note 14(c) to the combined financial statements.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

5. **Other investment**

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Non-current					
Available-for-sale financial asset [(1)]					
Quoted shares, in Malaysia, at market value	64,538	115,046	251,137	119,255	-
Financial asset at fair value through other comprehensive income [(2)]					
Quoted shares, in Malaysia, at market value	-	-	-	-	233,459
	64,538	115,046	251,137	119,255	233,459
Current					
Financial asset at fair asset through profit or loss					
Unit trust	-	-	-	-	1,000,387

(1) Prior to 1 January 2018, the shares quoted in Malaysia was classified as available-for-sale financial asset under the requirements of MFRS 139 *Financial Instruments: Recognition and Measurement.*

(2) On 1 January 2018, the shares quoted in Malaysia was classified as financial asset at fair value through other comprehensive income under the requirements of MFRS 9 *Financial Instruments.* In accordance with the transition requirements under paragraph 7.2.15 of this Standard, comparatives are not restated.

The fair value of the quoted shares and unit trust was determined by reference to the quoted price in Bursa Malaysia.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

6. **Deferred tax assets**

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
At 1 January	93,317	66,958	42,197	42,197	34,608
Recognised in profit and loss	(41,840)	(22,361)	(1,674)	104,597	66,472
Exchange differences	15,481	(2,400)	(5,915)	(3,318)	(1,473)
At 31 December/ 30 April	66,958	42,197	34,608	143,476	99,607

The net deferred tax assets and liabilities shown on the combined statements of financial position after appropriate offsetting are as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Deferred tax assets	89,776	75,095	51,547	164,584	119,764
Deferred tax liabilities	(22,818)	(32,898)	(16,939)	(21,108)	(20,157)
	66,958	42,197	34,608	143,476	99,607

The components and movements of deferred tax assets and liabilities are as follows:

Deferred tax assets of the Group:

	Others RM
31 December 2015	
At 1 January 2015	93,317
Recognised in profit or loss	(19,022)
Exchange differences	15,481
At 31 December 2015	89,776

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

6. **Deferred tax assets (Cont'd)**

The components and movements of deferred tax assets and liabilities are as follows: (Cont'd)

Deferred tax assets of the Group: (Cont'd)

	Others RM
31 December 2016	
At 1 January 2016	89,776
Recognised in profit or loss	(12,281)
Exchange differences	(2,400)
At 31 December 2016	75,095
31 December 2017	
At 1 January 2017	75,095
Recognised in profit or loss	(52,914)
Under provision in prior year	35,281
Exchange differences	(5,915)
At 31 December 2017	51,547
30 April 2017	
At 1 January 2017	75,095
Recognised in profit or loss	57,526
Under provision in prior year	35,281
Exchange differences	(3,318)
At 30 April 2017	164,584
30 April 2018	
At 1 January 2018	51,547
Recognised in profit or loss	71,195
Over provision in prior year	(1,505)
Exchange differences	(1,473)
At 30 April 2018	119,764

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

6. **Deferred tax assets (Cont'd)**

The components and movements of deferred tax assets and liabilities are as follows: (Cont'd)

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Others RM	Total RM
31 December 2015			
At 1 January 2015	-	-	-
Recognised in profit or loss	12,705	-	12,705
Under provision in prior year	(35,523)	-	(35,523)
At 31 December 2015	(22,818)	-	(22,818)
31 December 2016			
At 1 January 2016	(22,818)	-	(22,818)
Recognised in profit or loss	12,941	15,517	28,458
Under provision in prior year	(7,641)	(30,897)	(38,538)
At 31 December 2016	(17,518)	(15,380)	(32,898)
31 December 2017			
At 1 January 2017	(17,518)	(15,380)	(32,898)
Recognised in profit or loss	543	17,799	18,342
Over/(Under) provision in prior year	36	(2,419)	(2,383)
At 31 December 2017	(16,939)	-	(16,939)
30 April 2017			
At 1 January 2017	(17,518)	(15,380)	(32,898)
Recognised in profit or loss	(3,626)	17,799	14,173
Over/(Under) provision in prior year	36	(2,419)	(2,383)
At 30 April 2017	(21,108)	-	(21,108)
30 April 2018			
At 1 January 2018	(16,939)	-	(16,939)
Recognised in profit or loss	(4,723)	-	(4,723)
Over provision in prior year	1,505	-	1,505
At 30 April 2018	(20,157)	-	(20,157)

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

6. **Deferred tax assets (Cont'd)**

Deferred tax assets have not been recognised in respect of the following items:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Unutilised tax losses	-	-	-	895,150	1,845,378
Unabsorbed capital allowances	-	-	-	52,546	82,265
Other deductible temporary differences	-	263,400	4,025,640	571,900	3,175,396
	-	263,400	4,025,640	1,519,596	5,103,039

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

7. **Inventories**

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
At cost					
Finished goods	2,185,537	1,973,521	2,084,349	2,443,930	2,188,913
Recognised in profit or loss					
Inventories recognised as cost of sales	5,447,966	9,626,362	11,020,471	2,847,588	2,217,690
Inventories written off	-	2,972	74,557	-	-

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8. Trade receivables

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Trade receivables	4,165,658	8,528,162	15,230,910	2,621,802	4,841,185

The Group's normal trade credit terms ranges from 30 to 90 days (31.12.2017: 30 to 90 days, 30.4.2017: 30 to 90 days, 31.12.2016: 30 to 90 days, 31.12.2015: 30 to 90 days). Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. The amount is unsecured and non-interest bearing.

Analysis of the trade receivables ageing at the end of the reporting period is as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Neither past due nor impaired	1,711,294	6,815,767	3,370,432	1,361,684	1,923,073
Past due but not impaired					
Less than 30 days	1,667,428	1,018,651	10,123,184	487,852	154,756
31 to 60 days	385,265	324,112	122,382	141,276	149,528
61 to 90 days	191,855	197,625	140,095	8,060	47,510
More than 90 days	209,816	172,007	1,474,817	622,930	2,566,318
	2,454,364	1,712,395	11,860,478	1,260,118	2,918,112
	4,165,658	8,528,162	15,230,910	2,621,802	4,841,185

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 30 April 2018, trade receivables of RM2,918,112 (31.12.2017: RM11,860,478, 30.4.2017: RM1,260,118, 31.12.2016: RM1,712,395, 31.12.2015: RM2,454,364) were past due but not impaired. These relate to independent customers from whom there is no recent history of default.

As at 30 April 2018, included in trade receivables that are past due but not impaired more than 90 days are retention sum of RM956,480 (31.12.2017: RM956,480, 30.4.2017: RMNil, 31.12.2016: RMNil, 31.12.2015: RMNil).

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

8. Trade receivables (Cont'd)

At the end of the reporting period, the Group has 4 customers (31.12.2017: 1 customer, 30.4.2017: 3 customers, 31.12.2016: 2 customers, 31.12.2015: 4 customers) that owed to the Group approximately 59% (31.12.2017: 66%, 30.4.2017: 65%, 31.12.2016: 67%, 31.12.2015: 48%) of all the receivables outstanding.

The currency exposure profiles are as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
United States Dollar	1,562,323	3,069,391	12,059,474	529,115	1,515,602
Euro	1,403	84,915	98,008	84,915	95,987
	1,563,726	3,154,306	12,157,482	614,030	1,611,589

9. Other receivables

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Other receivables	908,757	1,120,248	511,416	1,484,282	516,848
Amount due from Directors	1,249,748	-	-	-	-
Deferred cost	96,512	225,541	2,014,951	167,894	1,716,189
Deposits	116,343	108,648	104,383	102,328	110,160
GST receivables	47,282	54,217	46,286	36,310	82,042
Prepayments	121,917	414,945	1,067,799	673,702	1,344,611
	2,540,559	1,923,599	3,744,835	2,464,516	3,769,850

As at 30 April 2018, included in the other receivables is an amount of RMNil (31.12.2017: RMNil, 30.4.2017: RM891,210, 31.12.2016: RM891,210, 31.12.2015: RM427,645) due from shareholders, which are unsecured, non-interest bearing advances and repayable on demand.

The amount due from Directors represents advances and payment on behalf which are unsecured, non-interest bearing and repayable on demand.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

10. **Fixed deposits with licensed banks**

(a) As at 30 April 2018, the fixed deposits of the Group of RM2,712,448 (31.12.2017: RM2,740,295, 30.4.2017: RM2,598,141, 31.12.2016: RM154,416, 31.12.2015: RM84,954) are pledged as securities for credit facilities granted to subsidiary companies.

(b) As at 30 April 2018, the fixed deposits of the Group bear interest rates ranging from 3.05% to 6% (31.12.2017: 3.05% to 6%, 30.4.2017: 3.05% to 6%, 31.12.2016: 3.05% to 4.35%, 31.12.2015: 3.05% to 7.75%) per annum with maturity period of 3 to 12 months (31.12.2017: 2 months to 12 months, 30.4.2017: 3 months to 12 months, 31.12.2016: 12 months, 31.12.2015: 3 to 12 months).

11. **Cash and bank balances**

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Cash and bank balances	2,798,996	7,243,757	14,509,982	6,290,641	9,826,745

The currency exposure profiles are as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Singapore Dollar	2,142	2,185	2,135	2,199	2,086
United States Dollar	835,394	2,198,760	3,832,759	2,156,685	5,411,619
Euro	-	7,298	21,968	21,346	130,542
	837,536	2,208,243	3,856,862	2,180,230	5,544,247

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

12. Share capital

The share capital as at 31 December 2015, 31 December 2016 and 30 April 2017 represent the issued and paid up share capital of Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia.

The share capital as at 31 December 2017 and 30 April 2018 represent the issued and paid up share capital of Securemetric, Securemetric Malaysia, Securemetric Vietnam, Securemetric Philippines, Securemetric Indonesia, Securemetric Singapore and Softkey Indonesia.

The holders of ordinary shares are entitled to receive dividends as and when declared by the combining entities. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Group's residual assets.

13. Reserves

		At 31 December			At 30 April	
		2015	2016	2017	2017	2018
	Note	RM	RM	RM	RM	RM
Fair value adjustment reserve	(a)	-	50,508	186,599	54,717	168,921
Foreign currency translation reserve	(b)	(50,418)	125,347	(247,303)	139,799	(567,088)
Tax amnesty	(c)	-	-	3,274	3,274	3,274
		(50,418)	175,855	(57,430)	197,790	(394,893)

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative net change in the fair value of available-for-sale financial assets and financial asset at fair value through other comprehensive income until they are derecognised or impaired.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents 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.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

13. **Reserves (Cont'd)**

(c) Tax amnesty

The subsidiary companies, namely Securemetric Indonesia and Softkey Indonesia participated in the Tax Amnesty Program in accordance with Law No. 11/2016. Both subsidiary companies paid the related redemption money amounting to RM3,274 (31.12.2017: RM3,274, 30.4.2017: RM3,274, 31.12.2016: RMNil, 31.12.2015: RMNil) and recorded the declared tax amnesty assets under other reserve.

14. **Other payables**

		At 31 December			At 30 April	
		2015	2016	2017	2017	2018
	Note	RM	RM	RM	RM	RM
Non-current						
Other payables	(a)	298,301	-	-	-	-
Current						
Other payables		282,924	455,597	3,137,456	58,839	442,062
Amount due to a Director	(b)	57,670	1,169,788	368,135	1,166,948	-
Deferred capital grant	(c)	455,270	1,247,715	1,800,139	1,868,715	1,650,128
Deferred revenue	(d)	505,814	1,005,127	4,459,790	964,600	-
Contract liability	(e)	-	-	-	-	3,704,975
Accruals		182,377	725,810	818,407	557,630	1,229,241
GST payables		122,073	209,353	192,890	26,439	246,312
		1,606,128	4,813,390	10,776,817	4,643,171	7,272,718

(a) Other payables

This represents deposit for future stock subscription pertaining to the shareholder's planned additional capital investment in the subsidiary company.

(b) Amount due to a Director

The amount due to a Director represents advances and payment on behalf which is unsecured, non-interest bearing and repayable on demand.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

14. **Other payables (Cont'd)**

(c) Deferred capital grant

Deferred capital grant refers to government grant received from Government of Malaysia under Kementerian Sains, Teknologi and Inovasi ("MOSTI") for the new technology project research and development activities. There are no unfulfilled conditions or contingencies attached to this grant. The grant is to be amortised over the useful life of the technology and recognised as other income in profit or loss upon the completion of the project.

The movement of the deferred capital grant is as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
At 1 January	-	455,270	1,247,715	1,247,715	1,800,139
Grant received during the financial year/period	455,270	792,445	1,002,459	621,000	-
Amortisation during the financial year/period	-	-	(450,035)	-	(150,011)
At 31 December/ 30 April	455,270	1,247,715	1,800,139	1,868,715	1,650,128

(d) Deferred revenue

Deferred revenue represents amount received/receivable in advance from customer for which services have yet to be performed.

(e) Contract liability

Contract liability represents amount received/receivable in advance from customer for which services have yet to be performed.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

14. **Other payables (Cont'd)**

The currency exposure profiles are as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
United States Dollar	-	-	2,302,020	-	-
Canadian Dollar	-	-	323,000	-	-
	-	-	2,625,020	-	-

15. **Finance lease payables**

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Minimum lease payments					
Within one year	16,716	12,519	-	6,947	-
Later than one year but not later than two years	12,519	-	-	-	-
	29,235	12,519	-	6,947	-
Less: Future finance charges	(1,780)	(347)	-	(105)	-
Present value of minimum lease payments	27,455	12,172	-	6,842	-

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

15. **Finance lease payables (Cont'd)**

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Present value of minimum lease payments					
Within one year	15,283	12,172	-	6,842	-
Between one to two years	12,172	-	-	-	-
	27,455	12,172	-	6,842	-
Analysed as:					
Repayable within twelve months	15,283	12,172	-	6,842	-
Repayable after twelve months	12,172	-	-	-	-
	27,455	12,172	-	6,842	-

The Group leases motor vehicle under finance lease as disclosed in Note 3 to the combined financial statements. There are no restrictive covenants imposed by the lease agreement and no agreements have been entered into for contingent rental payments.

As at 30 April 2018, the interest rate for the finance lease is Nil (31.12.2017: Nil, 30.4.2017: 3.80%, 31.12.2016: 3.80%, 31.12.2015: 3.80%) per annum.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

16. **Bank borrowings**

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Secured					
Floating rate:					
Term loans	23,194	2,000,000	2,547,799	2,868,341	2,368,579
Current liabilities					
Term loans	23,194	355,605	552,604	524,140	568,983
Non-current liabilities					
Term loans	-	1,644,395	1,995,195	2,344,201	1,799,596
	23,194	2,000,000	2,547,799	2,868,341	2,368,579

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Maturities of bank borrowings					
Within 1 year	23,194	355,605	552,604	524,140	568,983
Between 1 to 2 years	-	383,783	603,823	571,844	622,054
Between 2 to 3 years	-	414,194	660,243	625,250	680,224
Between 3 to 4 years	-	447,015	638,931	683,796	497,318
Between 4 to 5 years	-	399,403	92,198	463,311	-
	23,194	2,000,000	2,547,799	2,868,341	2,368,579

The above credit facilities obtained from licensed banks are secured on the followings:

For FYE 31 December 2015, the bank borrowing is guaranteed by the Directors of Securemetric Malaysia.

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16. **Bank borrowings (Cont'd)**

The above credit facilities obtained from licensed banks are secured on the followings: (Cont'd)

For FYE 31 December 2016 and FYE 31 December 2017 and FPE 30 April 2017 and FPE 30 April 2018:

(a) Credit Guarantee Corporation Malaysia Berhad guarantee under the Portfolio Guarantee Scheme; and

(b) guaranteed by the Directors of Securemetric Malaysia.

The term loans consist of the followings:

(a) 5 years term loan of RM250,000 to be repayable by 58 equal instalments of RM5,811 from January 2012.

(b) 5 years term loan of RM2,000,000 to be repayable by 58 equal instalments of RM41,359 from January 2017.

(c) 5 years term loan of RM1,000,000 to be repayable by 60 equal instalments of RM21,818 from May 2017.

The range of interest rates per annum at the reporting date is as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	%	%	%	%	%
Term loans	7.15	7.15 - 7.65	7.70 - 11.15	7.65 - 11.15	7.95 - 11.15

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

17. **Trade payables**

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Trade payables	1,474,962	2,315,535	8,198,005	1,461,657	750,834

As at 30 April 2018, the normal trade credit terms granted to the Securemetric Group ranges from 30 to 90 days (31.12.2017: 30 to 90 days, 30.4.2017: 30 to 90 days, 31.12.2016: 30 to 90 days, 31.12.2015: 30 to 90 days), depending on the terms of the contracts.

The currency exposure profile is as follows:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
United States Dollar	981,912	1,554,402	7,532,412	1,142,336	638,793
Euro	-	-	-	-	28,500
	981,912	1,554,402	7,532,412	1,142,336	667,293

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

18. **Amount due to customer on contract**

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Cost incurred todate	-	-	223,482	-	-
Attributable profit todate	-	-	66,725	-	-
	-	-	290,207	-	-
Less: Progress billing todate	-	-	(561,105)	-	-
	-	-	(270,898)	-	-
Presented as:					
Amount due to customer on contract	-	-	270,898	-	-

19. **Revenue**

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Sales of goods	14,574,159	19,719,461	24,287,109	5,654,232	4,302,033
Services rendered	2,403,482	5,033,512	20,479,703	674,586	2,667,726
	16,977,641	24,752,973	44,766,812	6,328,818	6,969,759

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

20. **Cost of sales**

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Sales of goods	5,447,966	9,626,362	11,020,471	2,847,588	2,217,690
Services rendered	2,276,054	2,357,545	12,503,222	736,131	779,067
	7,724,020	11,983,907	23,523,693	3,583,719	2,996,757

21. **Finance costs**

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Interest expenses on:					
- Bank guarantee	-	-	35,748	35,748	-
- Finance lease	2,542	1,432	348	242	-
- Term loans	4,430	165	218,927	55,596	74,181
	6,972	1,597	255,023	91,586	74,181

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

22. **Profit/(Loss) before tax**

Profit/(Loss) before tax is derived at after charging/(crediting):

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Auditors' remuneration	33,429	45,981	89,239	15,075	7,918
Amortisation of development expenditure	-	-	483,403	-	161,134
Depreciation of property, plant and equipment	150,967	176,486	203,321	55,269	89,671
Impairment losses on available-for-sale financial asset	173,972	-	-	-	-
Inventories written off	-	2,972	74,557	-	-
Property, plant and equipment written off	-	-	11,012	-	-
Rental of office	336,196	401,200	434,902	147,401	137,106
Rental of hostel	30,750	28,200	28,900	9,400	9,800
Rental of server	19,246	-	-	-	-
Dividend income	-	-	-	-	(387)
(Gain)/Loss on disposal of property plant and equipment	-	4,432	(749)	-	-
(Gain)/Loss on foreign exchange					
- unrealised	(201,228)	(5,857)	334,575	174,590	(199,479)
- realised	(123,073)	85,697	378,743	(52,212)	483,143
Government grant income	-	-	(450,035)	-	(150,011)
Interest income	(35,161)	(44,894)	(146,456)	(10,274)	(50,961)

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

23. **Taxation**

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Tax expenses recognised in profit and loss					
Current tax provision					
- Malaysian tax	9,302	1,560	-	-	-
- Foreign tax	72,381	30,068	118,499	7,631	135,718
Under/(Over) provision in prior years	5,332	(5,984)	(324)	(324)	-
	87,015	25,644	118,175	7,307	135,718
Deferred tax					
Relating to origination/(reversal) temporary differences	6,317	(16,177)	34,572	(71,699)	(66,472)
Under/(Over) provision in prior years	35,523	38,538	(32,898)	(32,898)	-
	41,840	22,361	1,674	(104,597)	(66,472)
Tax expense for the financial year/ period	128,855	48,005	119,849	(97,290)	69,246

As at 30 April 2018, Malaysian income tax is calculated at the statutory tax rate of 24% (31.12.2017: 24%, 30.4.2017: 24%, 31.12.2016: 24%, 31.12.2015: 25%) of the estimated assessable profits for the financial year/period.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

23. **Taxation (Cont'd)**

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group are as follows:

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Profit/(Loss) before tax	3,055,942	4,386,146	6,202,159	(1,602,493)	(407,097)
At Malaysian statutory tax rate of 24% (31.12.2017: 24%, 30.4.2017: 24%, 31.12.2016: 24%, 31.12.2015: 24%)	763,986	1,052,675	1,488,518	(384,598)	(97,703)
Effect of different tax rate in other jurisdictions	(1,617)	(6,724)	(298,267)	(30,391)	7,467
Income not subject to tax	(116,640)	(90,440)	(159,706)	(5)	(132,533)
Expenses not deductible for tax purposes	155,636	143,000	224,052	57,793	33,437
Income exempted under pioneer status	(713,365)	(1,083,060)	(2,002,956)	-	-
Deferred tax assets not recognised	-	-	901,430	301,488	258,578
Under/(Over) provision in prior years					
- income tax	5,332	(5,984)	(324)	(324)	-
- deferred tax	35,523	38,538	(32,898)	(32,898)	-
Tax exemption incentive	-	-	-	(8,355)	-
Tax expense for the financial year/ period	128,855	48,005	119,849	(97,290)	69,246

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

23. Taxation (Cont'd)

Securemetric Malaysia was awarded with the Multimedia Super Corridor ("MSC") status by the Government on 6 May 2008. Securemetric Malaysia has been granted MSC status by the Ministry of International Trade and Industry for services under Section 4A of the Promotion of Investment Act 1986 in which the statutory income are exempted from tax for a period of 5 years since 6 May 2008. The pioneer status has been extended for another 5 years on 6 May 2013, expiring on 5 May 2018.

24. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share are calculated based on the consolidated profit for the financial year/period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the financial year/period as follows:

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
Profit attributable to owners of the parent (RM)	2,863,852	4,345,490	6,016,309	(1,511,113)	(489,693)
Weighted average number of ordinary shares in issue:					
Issued ordinary shares at 1 January	505,000	1,355,000	1,406,680	1,406,680	1,406,705
Effect of ordinary shares issued during the financial year/ period	478,630	12,605	7	-	36,822
Weighted average number of ordinary shares at 31 December/ 30 April	983,630	1,367,605	1,406,687	1,406,680	1,443,527
Basic earnings/(loss) per ordinary share (RM)	2.91	3.18	4.28	(1.07)	(0.34)

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

24. **Earnings/(Loss) per share (Cont'd)**

(b) Diluted earnings per share

The Group has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year/period and before the authorisation of these combined financial statements.

25. **Dividends**

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Dividends recognised as distribution to ordinary shareholders of the combining entities:					
In respect of FYE 31 December 2016:					
A single tier interim dividend of RM1.00 per ordinary share on 29 November 2016	-	1,000,000	-	-	-
A single tier interim dividend of RM1.52 per ordinary share on 31 December 2016	-	1,520,000	-	-	-
	-	2,520,000	-	-	-

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

26. **Staff Costs**

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Salaries and other emoluments	3,234,581	4,459,380	6,288,552	1,789,980	2,501,849
Defined contribution plans	301,644	419,114	571,909	128,254	224,761
Social security contributions	27,735	45,604	62,662	8,376	17,069
Other benefits	114,860	133,353	123,204	18,181	111,202
	3,678,820	5,057,451	7,046,327	1,944,791	2,854,881

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors during the financial year/period as below:

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Directors					
- Salaries and other emoluments	301,250	516,500	868,830	344,298	417,275
- Defined contribution plans	36,216	62,046	69,966	29,838	31,788
- Social security contributions	1,240	1,483	1,657	552	552
	338,706	580,029	940,453	374,688	449,615

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **Related Party Disclosures**

(a) Identifying related parties

For the purposes of these financial statements, 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. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Other than related party balances disclosed elsewhere in the combined financial statements, the Group does not have any significant related party transactions during the financial year/period.

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management are as follows:

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Salaries and other emoluments	813,021	1,229,330	2,167,474	863,505	907,415
Defined contribution plans	99,070	150,150	22,229	7,575	7,373
Social security contributions	3,357	4,450	11,202	3,773	3,840
Other benefits	10,868	20,275	29,647	9,616	46,028
	926,316	1,404,205	2,230,552	884,469	964,656

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. **Segment Information**

The main business segments of the Group comprise the following:

Digital security solution	Provision of digital security solutions
Electronic identification products	Sales of smart cards, smart card readers, finger print readers, barcode scanners and barcode printers
Others	Provision of support and maintenance services, labelling and packaging

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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28. Segment Information (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total segments RM	Adjustments and eliminations RM	Per combined financial statements RM
FYE 31 December 2015						
Revenue						
External customers	12,469,560	3,572,020	936,061	16,977,641	-	16,977,641
Inter-segment	2,332,838	514,721	55,558	2,903,117	(2,903,117)	-
Total revenue	14,802,398	4,086,741	991,619	19,880,758	(2,903,117)	16,977,641
FYE 31 December 2016						
Revenue						
External customers	18,837,870	4,335,521	1,579,582	24,752,973	-	24,752,973
Inter-segment	5,972,811	170,615	30,170	6,173,596	(6,173,596)	-
Total revenue	24,810,681	4,506,136	1,609,752	30,926,569	(6,173,596)	24,752,973

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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28. Segment Information (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total segments RM	Adjustments and eliminations RM	Per combined financial statements RM
FYE 31 December 2017						
Revenue						
External customers	37,042,451	5,879,808	1,844,553	44,766,812	-	44,766,812
Inter-segment	3,380,676	527,792	224,748	4,133,216	(4,133,216)	-
Total revenue	40,423,127	6,407,600	2,069,301	48,900,028	(4,133,216)	44,766,812
FPE 30 April 2017						
Revenue						
External customers	4,530,717	1,624,888	173,213	6,328,818	-	6,328,818
Inter-segment	1,481,763	79,200	3,103	1,564,066	(1,564,066)	-
Total revenue	6,012,480	1,704,088	176,316	7,892,884	(1,564,066)	6,328,818

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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28. Segment Information (Cont'd)

	Digital security solutions RM	Electronic identification products RM	Others RM	Total segments RM	Adjustments and eliminations RM	Per combined financial statements RM
FPE 30 April 2018						
Revenue						
External customers	3,827,771	1,821,247	1,320,741	6,969,759	-	6,969,759
Inter-segment	392,912	27,156	88,102	508,170	(508,170)	-
Total revenue	4,220,683	1,848,403	1,408,843	7,477,929	(508,170)	6,969,759

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. **Segment Information (Cont'd)**

(a) Adjustments and eliminations

Inter-segment revenue are eliminated on consolidation.

(b) Other non-cash items consists of the following as presented in the respective notes to combined financial statements.

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Amortisation of development expenditure	-	-	483,403	-	161,134
Depreciation of property, plant and equipment	150,967	176,486	203,321	55,269	89,671
Impairment losses on available-for-sale financial asset	173,972	-	-	-	-
Inventories written off	-	2,972	74,557	-	-
Property, plant and equipment written off	-	-	11,012	-	-
(Gain)/Loss on disposal of property, plant and equipment	-	4,432	(749)	-	-
(Gain)/Loss on foreign exchange - unrealised	(201,228)	(5,857)	334,575	174,590	(199,479)
Government grant income	-	-	(450,035)	-	(150,011)
	123,711	178,033	656,084	229,859	(98,685)

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28. **Segment Information (Cont'd)**

(c) Geographic information

Revenue information based on the geographical location of customers are as follows:

	FYE 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Revenue					
Malaysia	4,343,142	4,106,752	5,443,342	1,600,939	1,016,916
Vietnam	2,824,635	6,704,894	22,086,259	1,833,416	860,461
Philippines	1,097,162	2,956,262	1,487,868	71,578	742,967
Indonesia	2,687,734	2,023,262	4,630,479	671,807	1,292,001
United States	1,066,070	2,701,678	2,932,523	1,098,735	1,062,252
Singapore	187,709	405,405	5,048,458	120,039	419,580
Canada	-	-	-	-	980,200
Others	4,771,189	5,854,720	3,137,883	932,304	595,382
	16,977,641	24,752,973	44,766,812	6,328,818	6,969,759

Non-current assets information based on the geographical location of the assets are as follows:

	At 31 December			FPE 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Non-current assets					
Malaysia	1,594,434	2,646,737	2,403,090	2,635,092	2,208,625
Indonesia	134,932	131,389	161,039	188,937	140,365
Vietnam	-	11,220	82,372	8,333	66,087
Philippines	14,573	41,824	32,562	38,986	31,766
	1,743,939	2,831,170	2,679,063	2,871,348	2,446,843

Non-current assets for this purpose consist of property, plant and equipment and development expenditure.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

28. Segment Information (Cont'd)

(d) Major customers

For FPE 30 April 2018, revenue from 2 (FYE 31 December 2017: 1, FPE 30 April 2017: 2, FYE 31 December 2016: 1, FYE 31 December 2015: Nil) major customers amounting to RM1,896,492 (FYE 31 December 2017: RM16,961,815, FPE 30 April 2017: RM1,925,364, FYE 31 December 2016: RM2,838,131, FYE 31 December 2015: RMNil), arose from digital security solutions segment.

Revenue from major customers with revenue equal or more than 10% of the Group's revenue are as follows:

	FYE 31 December			FPE 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Customer A	*	*	*	*	*
Customer B	-	2,838,131	-	*	*
Customer C	-	-	16,961,815	-	-
Customer D	-	-	-	1,008,084	952,692
Customer E	-	-	-	917,280	943,800
	-	2,838,131	16,961,815	1,008,084	952,692

* revenue contribution less than 10% of the Group's revenue.

29. Financial instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 to the financial statements describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
31 December 2015				
Financial assets				
Other investment	64,538	-	-	64,538
Trade receivables	-	4,165,658	-	4,165,658
Other receivables	-	2,274,848	-	2,274,848
Fixed deposits with licensed banks	-	983,954	-	983,954
Cash and bank balances	-	2,798,996	-	2,798,996
	64,538	10,223,456	-	10,287,994
Financial liabilities				
Trade payables	-	-	1,474,962	1,474,962
Other payables	-	-	821,272	821,272
Finance lease payables	-	-	27,455	27,455
Bank borrowings	-	-	23,194	23,194
	-	-	2,346,883	2,346,883
31 December 2016				
Financial Assets				
Other investment	115,046	-	-	115,046
Trade receivables	-	8,528,162	-	8,528,162
Other receivables	-	1,228,896	-	1,228,896
Fixed deposits with licensed banks	-	154,416	-	154,416
Cash and bank balances	-	7,243,757	-	7,243,757
	115,046	17,155,231	-	17,270,277

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
31 December 2016				
Financial Liabilities				
Trade payables	-	-	2,315,535	2,315,535
Other payables	-	-	2,351,195	2,351,195
Finance lease payables	-	-	12,172	12,172
Bank borrowings	-	-	2,000,000	2,000,000
	-	-	6,678,902	6,678,902
31 December 2017				
Financial assets				
Other investment	251,137	-	-	251,137
Trade receivables	-	15,230,910	-	15,230,910
Other receivables	-	615,799	-	615,799
Fixed deposits with licensed banks	-	2,740,295	-	2,740,295
Cash and bank balances	-	14,509,982	-	14,509,982
	251,137	33,096,986	-	33,348,123
Financial liabilities				
Trade payables	-	-	8,198,005	8,198,005
Other payables	-	-	4,323,998	4,323,998
Bank borrowings	-	-	2,547,799	2,547,799
	-	-	15,069,802	15,069,802

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities at amortised cost RM	Total RM
30 April 2017				
Financial assets				
Other investment	119,255	-	-	119,255
Trade receivables	-	2,621,802	-	2,621,802
Other receivables	-	1,586,610	-	1,586,610
Fixed deposits with licensed banks	-	4,197,784	-	4,197,784
Cash and bank balances	-	6,290,641	-	6,290,641
	119,255	14,696,837	-	14,816,092
Financial liabilities				
Trade payables	-	-	1,461,657	1,461,657
Other payables	-	-	1,783,417	1,783,417
Finance lease payables	-	-	6,842	6,842
Bank borrowings	-	-	2,868,341	2,868,341
	-	-	6,120,257	6,120,257

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Financial asset at FVOCI RM	Financial asset at FVTPL RM	Financial assets at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
30 April 2018					
Financial assets					
Other investments	233,459	1,000,387	-	-	1,233,846
Trade receivables	-	-	4,841,185	-	4,841,185
Other receivables	-	-	627,008	-	627,008
Fixed deposits with licensed banks	-	-	4,896,448	-	4,896,448
Cash and bank balances	-	-	9,826,745	-	9,826,745
	233,459	1,000,387	20,191,386	-	21,425,232
Financial liabilities					
Trade payables	-	-	-	750,834	750,834
Other payables	-	-	-	1,671,303	1,671,303
Bank borrowings	-	-	-	2,368,579	2,368,579
	-	-	-	4,790,716	4,790,716

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the combined statements of financial position at the end of the reporting period represent the Group's maximum exposure to credit risk.

The Group has no significant concentration to credit risk except as disclosed in Note 8 to the combined financial statements.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
31 December 2015					
Non-derivative financial liabilities					
Trade payables	1,474,962	-	-	1,474,962	1,474,962
Other payables	821,272	-	-	821,272	821,272
Finance lease payables	16,716	12,519	-	29,235	27,455
Bank borrowings	23,360	-	-	23,360	23,194
	2,336,310	12,519	-	2,348,829	2,346,883

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
31 December 2016					
Non-derivative financial liabilities					
Trade payables	2,315,535	-	-	2,315,535	2,315,535
Other payables	2,351,195	-	-	2,351,195	2,351,195
Finance lease payables	12,519	-	-	12,519	12,172
Bank borrowings	496,308	496,308	1,406,156	2,398,772	2,000,000
	5,175,557	496,308	1,406,156	7,078,021	6,678,902

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
31 December 2017					
Non-derivative financial liabilities					
Trade payables	8,198,005	-	-	8,198,005	8,198,005
Other payables	4,323,998	-	-	4,323,998	4,323,998
Bank borrowings	761,042	761,460	1,534,211	3,056,713	2,547,799
	13,283,045	761,460	1,534,211	15,578,716	15,069,802

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
30 April 2017					
Non-derivative financial liabilities					
Trade payables	1,461,657	-	-	1,461,657	1,461,657
Other payables	1,783,417	-	-	1,783,417	1,783,417
Finance lease payables	6,947	-	-	6,947	6,842
Bank borrowings	759,094	761,460	2,003,985	3,524,539	2,868,341
	4,011,115	761,460	2,003,985	6,776,560	6,120,257

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Total contractual cash flows RM	Carrying amount RM
30 April 2018					
Non-derivative financial liabilities					
Trade payables	750,834	-	-	750,834	750,834
Other payables	1,671,303	-	-	1,671,303	1,671,303
Bank borrowings	761,460	761,460	1,280,175	2,803,095	2,368,579
	3,183,597	761,460	1,280,175	5,225,232	4,790,716

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risks

Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar (SGD), United States Dollar (USD), Euro (EUR) and Canadian Dollar (CAD).

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	SGD RM	USD RM	EUR RM	CD RM	Total RM
31 December 2015					
Trade receivables	-	1,562,323	1,403	-	1,563,726
Cash and bank balances	2,142	835,394	-	-	837,536
Trade payables	-	(981,912)	-	-	(981,912)
	2,142	1,415,805	1,403	-	1,419,350
31 December 2016					
Trade receivables	-	3,069,391	84,915	-	3,154,306
Cash and bank balances	2,185	2,198,760	7,298	-	2,208,243
Trade payables	-	(1,554,402)	-	-	(1,554,402)
	2,185	3,713,749	92,213	-	3,808,147

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risks (Cont'd)

Foreign currency risk (Cont'd)

	SGD RM	USD RM	EUR RM	CAD RM	Total RM
31 December 2017					
Trade receivables	-	12,059,474	98,008	-	12,157,482
Cash and bank balances	2,135	3,832,759	21,968	-	3,856,862
Trade payables	-	(7,532,412)	-	-	(7,532,412)
Other payables	-	(2,302,020)	-	(323,000)	(2,625,020)
	2,135	6,057,801	119,976	(323,000)	5,856,912
30 April 2017					
Trade receivables	-	529,115	84,915	-	614,030
Cash and bank balances	2,199	2,156,685	21,346	-	2,180,230
Trade payables	-	(1,142,336)	-	-	(1,142,336)
	2,199	1,543,464	106,261	-	1,651,924
30 April 2018					
Trade receivables	-	1,515,602	95,987	-	1,611,589
Cash and bank balances	2,086	5,411,619	130,542	-	5,544,247
Trade payables	-	(638,793)	(28,500)	-	(667,293)
	2,086	6,288,428	198,029	-	6,488,543

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29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risks (Cont'd)

Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the SGD, USD, EUR and CAD exchange rates against RM, with all other variables held constant.

		FYE 31 December			FPE 30 April	
	Change in currency rate	2015 Effect on profit before tax RM	2016 Effect on profit before tax RM	2017 Effect on profit before tax RM	2017 Effect on profit before tax RM	2018 Effect on profit before tax RM
SGD	Strengthen 10%	214	219	214	220	209
	Weaken 10%	(214)	(219)	(214)	(220)	(209)
USD	Strengthen 10%	141,581	371,375	605,780	154,346	628,843
	Weaken 10%	(141,581)	(371,375)	(605,780)	(154,346)	(628,843)
EUR	Strengthen 10%	140	9,221	11,998	10,626	19,803
	Weaken 10%	(140)	(9,221)	(11,998)	(10,626)	(19,803)
CAD	Strengthen 10%	-	-	(32,300)	-	-
	Weaken 10%	-	-	32,300	-	-

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risks (Cont'd)

Interest rate risk

The Group's fixed rate deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed financial institutions and banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts at the end of the reporting period was:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Fixed rate instruments					
Financial assets	983,954	154,416	2,740,295	4,197,784	4,896,448
Financial liabilities	(27,455)	(12,172)	-	(6,842)	-
	956,499	142,244	2,740,295	4,190,942	4,896,448
Floating rate instruments					
Financial liabilities	(23,194)	(2,000,000)	(2,547,799)	(2,868,341)	(2,368,579)

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risks (Cont'd)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased / (decreased) the Group's profit before tax by RM23,686 (FYE 31 December 2017: RM25,478, FPE 30 April 2017: RM28,683, FYE 31 December 2016: RM20,000, FYE 31 December 2015: RM232) respectively, arising mainly as a result of lower / higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iv) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted instruments. These investments are listed on Bursa Malaysia and are classified as available-for-sale financial assets as at 31 December 2015, 31 December 2016, 30 April 2017 and 31 December 2017 and financial asset at fair value through other comprehensive income as at 30 April 2018.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term loans and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The carrying amount of long term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the combined statements of financial position.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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29. Financial instruments (Cont'd)

(c) Fair value of financial instruments (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
31 December 2015										
Financial asset										
Quoted shares	64,538	-	-	64,538	-	-	-	-	64,538	64,538
Financial liability										
Finance lease payables (Non-current)	-	-	-	-	-	12,061	-	12,061	12,061	12,172
31 December 2016										
Financial asset										
Quoted shares	115,046	-	-	115,046	-	-	-	-	115,046	115,046

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

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29. Financial instruments (Cont'd)

(c) Fair value of financial instruments (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
31 December 2017										
Financial asset										
Quoted shares	251,137	-	-	251,137	-	-	-	-	251,137	251,137
30 April 2017										
Financial asset										
Quoted shares	119,255	-	-	119,255	-	-	-	-	119,255	119,255
30 April 2018										
Financial assets										
Quoted shares	233,459	-	-	233,459	-	-	-	-	233,459	233,459
Unit trust	1,000,387	-	-	1,000,387	-	-	-	-	1,000,387	1,000,387

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial instruments (Cont'd)**

(c) Fair value of financial instruments (Cont'd)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using 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).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

30. **Operating lease commitment**

The future minimum lease payment payable under non-cancellable operating lease are:

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Within one year	207,000	69,000	222,263	272,575	267,011
Later than one year but not later than two years	69,000	-	69,000	354,012	55,010
	276,000	69,000	291,263	626,587	322,021

31. **Contingent liabilities**

	At 31 December			At 30 April	
	2015	2016	2017	2017	2018
	RM	RM	RM	RM	RM
Unsecured					
Performance guarantee extended to third parties in respect of a contract entered into by the Group	-	-	2,424,726	2,424,726	-

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32. **Reconciliation of Liabilities Arising from Financing Activities**

The table below detailed changes in the liabilities of the Group arising from financing activities:

	Note	At 1 January 2017 RM	Financing cash flows (i) RM	At 31 December 2017 RM
31 December 2017				
Finance lease payables	15	2,000,000	547,799	2,547,799
Term loans	16	12,172	(12,172)	-

	Note	At 1 January 2018 RM	Financing cash flows (i) RM	At 30 April 2018 RM
30 April 2018				
Term loans	16	2,547,799	(179,220)	2,368,579

(i) The cash flows from loans and borrowings make up of the net amount of proceeds from or repayment of loans and borrowings in the combined statements of cash flows.

33. **Capital commitments**

The Company does not have any capital commitments as at 31 December 2015, 31 December 2016, 31 December 2017, 30 April 2017 and 30 April 2018.

34. **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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SECUREMETRIC BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

34. **Capital management (Cont'd)**

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	At 31 December			At 30 April	
	2015 RM	2016 RM	2017 RM	2017 RM	2018 RM
Finance lease liabilities	27,455	12,172	-	6,842	-
Bank borrowings	23,194	2,000,000	2,547,799	2,868,341	2,368,579
Total debts	50,649	2,012,172	2,547,799	2,875,183	2,368,579
Total equity	11,190,147	13,728,329	19,546,845	12,245,061	19,048,747
Gearing ratio	*	0.15	0.13	0.23	0.12

* *Negligible*

There was no change in the Group's approach to capital management during the financial period/year.

35. **Subsequent event**

There is no subsequent event as at the date this report.

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12. STATUTORY AND OTHER GENERAL INFORMATION

12.1 Share capital

(i) No securities will be allotted or issued or offered on the basis of this Prospectus later than six months after the date of the issue of this Prospectus.

(ii) As at the LPD, our Company has one class of shares, namely ordinary shares, all of which rank *pari passu* with one another.

(iii) As at the date of this Prospectus, none of the share capital of our Company or its subsidiaries is under option, or agreed conditionally or unconditionally to be put under option.

(iv) Save for the Issue Shares reserved for our eligible employees as disclosed in **Section 3.4.1(iii)** of this Prospectus:

(a) none of our Group's Director or employee has been or is entitled to be given or has exercised any option to purchase or subscribe for any shares, stocks or debentures of our Company or its subsidiaries; and

(b) there is currently no other scheme involving our Directors or employees in the capital of our Company or its subsidiaries.

(v) Neither our Company nor any of its subsidiaries has any outstanding convertible debt security as at the LPD.

(vi) Except as disclosed in this Prospectus, and save as provided under our Company's Constitution and the Act, there are no limitations on the right to own securities, including limitations on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

12.2 Extracts of our Constitution

The following is extracted from our Company's Constitution and is qualified in its entirety by the remainder of the provisions of our Company's Constitution and by applicable law.

12.2.1 Classes of Shares

"7. Authority of Directors to allot shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution and the Act and the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:

(1) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;

(2) in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution or in the resolution creating the same;

(3) every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting and:

(a) Such approval shall specifically detail the amount of shares of options to be issued to such employees and/or Directors; and

(b) A Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or a public issue;

(4) in the case of shares offered to the public for subscription the amount payable on application on each share shall not be less than five per centum (5%) of the issued price;

(5) the Company must ensure that all new issue of shares for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons in the Depository with such securities save and except where the Company is specifically exempted from doing so. The Company shall notify the Depository of the names of the allottees or the entitled persons together with all such particulars as may be required by the Depository to enable it to make the appropriate entries in the Securities Accounts of such allottees or entitled persons;

(6) the Company must allot and issue Securities, despatch notices of allotment to the allottees and make an application for the quotation of such securities which such periods as may be prescribed by the Exchange."

"8. Issuance of Preference Shares

Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed provided that:

(1) Preference shareholders shall have the same rights as ordinary shareholders as regards the receiving of notices, reports and financial statements and the attending of general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the whole of the Company's property, business or undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months or during the winding up of the Company. On a resolution to be decided on a show of hands, a holder of preference shares who is personally present and entitled to vote shall be entitled to one (1) vote.

(2) The holder of a preference shares shall be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up; and

(3) The Company shall not, without the consent of the existing preference shareholders at a class meeting or pursuant to clause 19 hereof, issue further preference capital ranking in priority above preference shares already issued but may issue preference shares ranking equally therewith."

12.2.2 Variation of rights

"19. Repayment of Preference Capital

Notwithstanding Clause 20 hereof, the repayment of preference shares other than redeemable preference shares, or any alteration of preference shareholders rights may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths (3/4) of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting."

"20. Alteration of class rights

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares of the class or group, or with the sanction of any Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-third (1/3) in nominal amount of the issued shares of the class or group (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act, shall, with such adaptations as are necessary, apply."

"21. Ranking of class rights

The rights conferred upon the holders of the shares of any class 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 as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith."

12.2.3 Increase of capital

"53. Increase of share capital

The Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting."

"54. Issue of new shares to existing members

Subject to any direction to the contrary that may be given by the Company in general meeting any 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, will 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 in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided."

"55. New Capital to be considered as part of the current share capital of the Company

Except so far as otherwise provided by the conditions of issues, any 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 payment of calls, lien, transfer, transaction, forfeiture and otherwise as the original share capital and shall also be subject to the Rules."

12.2.4 Alteration of capital

"56. Alteration of capital

(1) The Company may by special resolution:

(i) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(ii) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares;

(iii) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

(2) The Company may, subject to the provision of the Act, by Special Resolution reduce its share capital."

12.2.5 Remuneration of Directors

"107. Remuneration

The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided Always that:

(1) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(2) salaries payable to executive Directors may not include a commission on or percentage of turnover;

(3) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(4) any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter."

"108. Reimbursement and special remuneration

(1) The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors 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.

(2) If by arrangement with the Directors, any Director shall perform or render any special duties or service's 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 exertions 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 Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged."

"142. Remuneration of Managing Director and Executive Director

The remuneration of the Managing Director and/or Executive Directors may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover."

12.2.6 Transfer of securities

"44. Transfer of securities

The transfer of any Listed Security or class of Listed Security in the Company shall be by way of book entry by the Depository in accordance with Rules of the Depository and notwithstanding Sections 105, 106 and 110 of the Act the Company shall be precluded from registering and affecting any transfer of the listed security."

"45. Transferor's Right

The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof."

"47. Transmission of Shares

Where:

(a) the securities of the Company are listed on another Exchange; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the rules of the Depository in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the other Exchange, to the register of holders maintained by the registrar of the company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities."

"48. Death of holder of shares

In the event of the death or bankruptcy of a Member any person becoming entitled as a result thereof may transfer or be registered as the owner of the shares held by that Member before his death or bankruptcy or otherwise deal with the said shares in the manner allowed by law and in accordance with the Rules. The person so entitled shall notify the Depository accordingly in writing of his election whether to have the shares of the deceased or bankrupt Member to be registered under his name or otherwise to be transferred to another person and shall comply with the Rules affecting the registration and transfer of the said shares, as the case may be."

"50. Stock may be transferred

When any shares have been converted into stock, the several holders of such stock may transfer their respective interests therein, or any part of such interest, in such manner as the Company in general meeting shall direct, but in default of any such direction in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances will admit. But the Directors may, if they think fit, from time to time fix the minimum amount of stock transferable, and restrict or forbid the transfer of fractions of that minimum, provided that such minimum shall not exceed the nominal amount of the shares from which the stock arose."

12.2.7 Voting and borrowing powers of Directors

"112. Directors' borrowing powers

(1) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, 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 of any related third party Provided Always that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

(2) The Directors shall cause a proper register to be kept in accordance with Section 60 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.

(3) If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability."

"128. Declaration of Interest and restriction of voting

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, a personal interest and if he should do so, his vote should not be counted, but this prohibition shall not apply to:

(a) any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or

(b) 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 or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security."

12.2.8 Limitation on the right to hold securities and/or exercise voting rights

"46. Person under disability

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind."

"85(1) Vote of members of unsound mind

Any member being of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder "may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal guardian or such other person who has been properly appointed to manage his estate. Any one of such committee or other person may vote either by proxy or by attorney provided such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than 48 hours before the time appointed for holding the meeting."

"86. Members in default

No member shall be entitled to be present or to vote at any general meeting or to exercise any privilege as a member nor be counted as one of the quorum unless all calls or other sums immediately payable by him in respect of shares in the Company have been paid."

"87. Time for objection of any voter's qualification

No objection shall be raised in respect of the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive."

12.3 Promoters, substantial shareholders and Directors

(i) The names, addresses and occupations of our Directors are set out in **Section 1** of this Prospectus.

(ii) Save as disclosed in **Sections 7.3.5 and 7.7** of this Prospectus, no amount or benefits have been paid or intended to be paid or given to our Promoters, substantial shareholders and Directors within two years preceding the date of this Prospectus.

(iii) Save as disclosed in **Section 12.4** of this Prospectus, none of our Directors or substantial shareholders have any interest in any contract or subsisting arrangement which is significant in relation to the business of our Group taken as a whole, as at the date of this Prospectus.

(iv) Save for our Promoters and substantial shareholders as disclosed in **Section 7.1** of this Prospectus, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company.

(v) Save for the risk factors and financial information highlighted in **Section 4** and **Section 10 respectively** of this Prospectus, none of our Directors are aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

12.4 Material contracts

Save as disclosed below, our Company and its subsidiaries have not entered into any material contract which is not in the ordinary course of our Group's business with parties outside of our Group within a period of two years preceding the LPD:

(i) On 22 March 2017, Securemetric Malaysia entered into a tenancy agreement with Technology Park Malaysia Corporation Sdn Bhd (Company No. 377141-T) for the rental of demised premises with the address at Lot L5-E-6, Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong-Sg Besi, Bukit Jalil, 57000 Kuala Lumpur, Malaysia for a term of two years from 1 May 2017 to 30 April 2019 at a monthly rental of RM18,285.

(ii) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key and Nioo Yu Siong whereby Securemetric has agreed to purchase from Law Seeh Key and Nioo Yu Siong 1,000,000 ordinary shares representing 100% of the total issued shares of Securemetric Malaysia for the total consideration of RM9,916,998. Securemetric shall satisfy the purchase consideration by issuing 110,326,603 new ordinary shares to Law Seeh Key and 13,635,872 new ordinary shares to Nioo Yu Siong. The conditional share sale and purchase agreement has been completed on 31 July 2018.

(iii) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key and Nioo Yu Siong whereby Securemetric has agreed to purchase from Law Seeh Key and Nioo Yu Siong 99,997 ordinary shares representing 99.997% of the total issued and paid-up share capital of Securemetric Philippines for the total consideration of RM681,000. Securemetric shall satisfy the purchase consideration by issuing 1,028,852 new ordinary shares to Law Seeh Key and 7,483,648 new ordinary shares to Nioo Yu Siong. The conditional share sale and purchase agreement has been completed on 4 September 2018.

(iv) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key and Nioo Yu Siong whereby Securemetric has agreed to purchase from Law Seeh Key and Nioo Yu Siong 50,000 ordinary shares representing 100% of the total issued shares of Securemetric Singapore for the total consideration of RM275,000. Securemetric shall satisfy the purchase consideration by issuing 3,059,375 new ordinary shares to Law Seeh Key and 378,125 new ordinary shares to Nioo Yu Siong. The conditional share sale and purchase agreement has been completed on 4 September 2018.

(v) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Yong Kim Fui whereby Securemetric has agreed to purchase from Yong Kim Fui 80,000 ordinary shares representing 80% of the total issued and paid-up share capital of Softkey Indonesia for the total consideration of RM1,173,000. Securemetric shall satisfy the purchase consideration by issuing 14,662,500 new ordinary shares to Yong Kim Fui. The conditional share sale and purchase agreement has been completed on 4 September 2018.

(vi) On 2 February 2018, Securemetric entered into a conditional share sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key, Nioo Yu Siong and Li Jianjun whereby Securemetric has agreed to purchase from Law Seeh Key, Nioo Yu Siong and Li Jianjun 100,000 ordinary shares representing 100% of the total issued and paid-up share capital of Securemetric Indonesia for the total consideration of RM1,358,000. Securemetric shall satisfy the purchase consideration by issuing 7,978,250 new ordinary shares to Law Seeh Key, 848,750 new ordinary shares to Nioo Yu Siong and 8,148,000 ordinary shares to Li Jianjun. The conditional share sale and purchase agreement has been completed on 4 September 2018.

(vii) On 2 February 2018, Securemetric entered into a conditional sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Law Seeh Key whereby Securemetric has agreed to purchase from Law Seeh Key, Securemetric Vietnam's contributed capital of USD49,000 representing 49% of Securemetric Vietnam's total charter capital for the total consideration of USD80,944. Securemetric shall satisfy the purchase consideration in cash. The conditional sale and purchase agreement has been completed on 4 September 2018.

(viii) On 2 February 2018, Securemetric entered into a conditional sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Nioo Yu Siong whereby Securemetric has agreed to purchase from Nioo Yu Siong, Securemetric Vietnam's contributed capital of USD3,000 representing 3% of Securemetric Vietnam's total charter capital for the total consideration of USD4,956. Securemetric shall satisfy the purchase consideration in cash. The conditional sale and purchase agreement has been completed on 4 September 2018.

(ix) On 2 February 2018, Securemetric entered into a conditional sale and purchase agreement (as supplemented by the supplemental agreement dated 19 July 2018) with Li Jianjun whereby Securemetric has agreed to purchase from Li Jianjun, Securemetric Vietnam's contributed capital of USD48,000 representing 48% of Securemetric Vietnam's total charter capital for the total consideration of USD 79,292. Securemetric shall satisfy the purchase consideration in cash. The conditional sale and purchase agreement has been completed on 4 September 2018.

(x) Vide the letters of offer dated 8 June 2018 and 13 August 2018 by Technology Park Malaysia Corporation Sdn Bhd (Company No. 377141-T) which was duly accepted by Securemetric Malaysia, Securemetric Malaysia has agreed to rent the demised premises with the address at Lot L5-E-7B, Enterprise 4, Technology Park Malaysia, Lebuhraya Puchong-Sg Besi, Bukit Jalil, 57000 Kuala Lumpur, Malaysia for a term of three years from 1 October 2018 to 30 September 2021. The rental for the first two years is confined to an area of up to 2,700 square feet in the demised premises at a monthly rental of RM9,315. The rental for the remaining tenure is for the entire demised premises (i.e 4,024 square feet) at a monthly rental of RM13,882.80.

(xi) On 27 September 2018, Securemetric entered into an underwriting agreement with TA Securities ("**Underwriter**") whereby the Underwriter has agreed to underwrite 17,000,000 IPO Shares made available for subscription by the Malaysian public subject to terms and conditions contained in the Underwriting Agreement. The salient terms of the Underwriting Agreement can be found in **Section 3.10** of this Prospectus.

As at the LPD, our Group is not highly dependent on any material contracts, agreements, documents or other arrangements including patents or licenses, industrial, commercial or financial contracts which are material to our Group's business or profitability.

12.5 Taxation of holders of our Shares

Dividend payments, capital gains and profits from dealing in the Shares will not be subject to Malaysian taxation and no withholding tax is imposed. However, the sale, purchase and transfer of Shares are subject to Malaysian stamp duty, the current rate of which is RM1 for every RM1,000 (or fractional part) of the transaction value of the Shares (payable by both buyer and seller), up to the maximum of RM200.

Potential investors are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing, purchasing, holding or disposing of, and dealing in our Shares. None of us or, the Principal Adviser or, any of their respective directors or any person or party involved in this IPO accepts responsibility for any tax effects on, or liability of, any person, resulting from the subscription, purchase, holding or disposal of, and dealing in our Shares.

12. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

12.6 Repatriation of capital and remittance of profit

The relevant governmental laws, decrees, regulations, legislations and/or other requirements in Singapore, the Philippines, Indonesia and Vietnam, in relation to the repatriation of capital and remittance of profit by or to our Group are as follows:

Vietnam

Under Vietnamese laws, there is no significant restriction on the management of repatriation of investment capital and remittance of profits of foreign investment projects.

(i) Repatriation of Investment Capital

Foreign investors are entitled to repatriate their investment capital upon a) the dissolution or termination of operation of enterprises with foreign direct investment capital, b) reduction of investment capital, and c) liquidation or termination of the investment projects and business co-operation contracts in accordance with the Vietnamese Law on Investment.

(ii) Remittance of profits

Profits of foreign investors remitted from Vietnam shall be lawful profits divided or obtained from direct investment activities in Vietnam after the investors have fulfilled their financial obligations to the State of Vietnam pursuant to its laws and regulations. According to Circular No. 186/2010/TT-BTC dated 18 November 2010 (guidelines on remitting abroad profits earned by foreign organizations and individuals from their direct investment in Vietnam) ("**Circular 186**"), the investors might on their own or authorise the relevant company to notify the remittance and transfer of profits abroad directly to the managing tax authority of the company at least seven working days before the date of the remittance of the said profits.

It is required that the transfer of any principal investment capital, profits, interest payments and remittances abroad must be effected via a foreign currency account opened at an authorised credit institution in Vietnam regardless whether the amount to be transferred are in the lawful currency of Vietnam or foreign currencies.

The Philippines

There are no existing restrictive regulations on the remittance of dividends and profits as well as the repatriation of capital. Foreign investors have the right to remit earnings from their investment in the Philippines in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Section 74 of the Philippines Republic Act No. 265, as amended.

Foreign investments registered with the Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines, may repatriate capital and remit dividends, profit, and earnings, using foreign exchange sourced from the domestic banking system. Without registration, remittances using foreign exchange may only be sourced outside the domestic banking system.

Indonesia

The Indonesia's Investment Law No. 25 of 2007 (Art 8.1 and 8.3) ensures the right of foreign investors to repatriate profit from Indonesia which can be in the form of payment of dividend, reduction of capital, payment liquidation proceeds or payment of royalties or technical fees.

However, there are several limitations:

(i) the Indonesian government or law enforcement (e.g. in order to protect the rights of creditors or to avoid losses to the state), has the right to defer the repatriation of profit if (a) the investor has any unsettled legal liabilities in Indonesia and (b) there are any pending taxes and/or royalties and/or government revenues from the investment;

(ii) if the repatriation results in a decrease in the foreign company's nominal capital, then they must first obtain approval from the Minister of Law and Human Rights;

(iii) onshore assets cannot be transferred out of Indonesia for at least 3 years upon the issuance date of Tax Amnesty Certificate obtained by the company; and

(iv) if there is an exchange of IDR into any other foreign currency that exceed certain amount, the Bank of Indonesia will require provision of the underlying transaction document.

Singapore

Under the Singapore Companies Act, Chapter 50 and subject to the payment of taxes applicable under Singapore Law:

(i) dividends may be paid out of profits available for distribution. The Memorandum and Articles of Association provide for the declaration of dividends upon its shareholders' approval by ordinary resolution in a general meeting. There are no restrictions on payment of dividends to a foreign shareholder provided there is no breach of any rule for internal monitoring for countering money laundering and terrorism; and

(ii) capital may not be returned to shareholders unless a capital reduction exercise is carried out in accordance with the provisions of the Singapore Companies Act and the company's Articles of Association. There are no restrictions on payment from a capital reduction exercise to foreign shareholders provided there is no breach of any rule for internal monitoring for countering money laundering and terrorism.

12.7 Public take-overs

Since our incorporation on 6 June 2017 and up to the LPD, there has not been any public take-over offer by third parties in respect of our Shares, nor has there been any public take-over offer by us in respect of other companies' shares.

12.8 Consents

The written consents of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Solicitors for our IPO, Principal Bankers, Share Registrar, Company Secretary and Issuing House as set out in the Corporate Directory of this Prospectus for inclusion in this Prospectus of their names in the form and context in which such names appear, have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name in this Prospectus, Accountants' Report and Reporting Accountants' letter on the compilation of pro forma consolidated financial information as at 31 August 2017 in the form and context in which they are contained in this Prospectus, has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Market Researcher for the inclusion of its name and the IMR Report in the form and context in which they are contained in this Prospectus, has been given before the issue of this Prospectus and has not subsequently been withdrawn.

12.9 Documents available for inspection

Copies of the following documents can be inspected at our registered office at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Malaysia during normal working hours for a period of twelve months from the date of this Prospectus:

(i) Constitution of our Company;

(ii) Reporting Accountants' letter on the compilation of pro forma consolidated financial information as included in **Section 10.1** of this Prospectus;

(iii) Accountants' Report referred to in **Section 11** of this Prospectus;

(iv) letters of consent referred to in **Section 12.8** of this Prospectus;

(v) material contracts referred to in **Section 12.4** of this Prospectus;

(vi) audited financial statements of our subsidiaries for the past three FYEs 31 December 2015 to FYE 31 December 2017 and 4M-FPE 30 April 2018; and

(vii) IMR Report.

12.10 Responsibility statements

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

TA Securities, being the Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledge that based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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13. 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.

13.1 Opening and Closing of Application

Opening of the Application Period: 10.00 A.M., 23 October 2018

Closing of the Application Period: 5.00 P.M., 30 October 2018

Applications for our IPO Shares will open and close at the times and dates stated above. In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia. The dates for the ballot of the applications for our IPO Shares, the allotment of our IPO Shares and our Listing would then be extended accordingly.

Late Applications will not be accepted.

13.2 Methods of Applications

13.2.1 Application for our IPO Shares by the Malaysian Public and our eligible Directors, employees and persons who have contributed to the success of our Group

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of Application and category of investors	Application Method
(i) Malaysian Public:	
• Individuals	White application Forms or Electronic Share Application or Internet Share Application
• Corporation or institutions	White Application Forms **only**
(ii) Our eligible employees	Pink Application Forms **only**
(iii) Selected investors by way of placement	Selected investors will be contacted directly by the Placement Agent and should follow the instructions communicated to them by the Placement Agent if they wish to accept the IPO Shares. They may also apply for the IPO Shares allocated to the Malaysian Public by completing the White Application Form, Electronic Share Application or Internet Share Application

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.3 Eligibility

13.3.1 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.

13.3.2 Application by the 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

(iii) You must submit Applications by using only one of the following methods:-

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.3.3 Application by eligible employees (Pink Application Form)

Our eligible employees will be provided with **Pink Application Forms** and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Eligible Directors, employees and persons who have contributed to the success of our Group 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, the Issuing House, TA Securities, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

13.4 Procedures for Application 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 or which are illegible will not be accepted.

The FULL amount payable is RM0.25 for each IPO Share.

Payment must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NUMBER 593"** 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:-

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

(ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Malaysian Issuing House, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5.00 p.m. on **30 October 2018** or by such other time and date specified in any change to the date or time for closing.

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 White Application Form to the Issuing House.

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.5 Application by Way of Electronic Share Applications

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, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). 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 Electronic Participating Financial Institutions.

13.6 Application By Way Of Internet Share Applications

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, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB 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.

13.7 Authority of Our Board and the 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 our 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

(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 13.8** 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.

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.8 Over / Under-Subscription

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 shares and the balloting results in connection therewith will be furnished by the issuing house to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website (www.mih.com.my) within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 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 the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the underwriting arrangements and reallocation as set out in **Section 3.10** of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

13.9 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.

13.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be refunded 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 last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot at your own risk.

(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 official valid temporary identity documents 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 ten (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 registered post to your last address 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).

13.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) 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 Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within two (2) Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th 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 ten (10) Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

13.10 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 last address maintained with the 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 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.

13. SUMMARISED PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

13.11 Enquiries

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	MIH Enquiry Services Telephone at telephone no. 03-7841 8289
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

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DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SECUREMETRIC BERHAD ("SECUREMETRIC" OR "COMPANY") DATED 23 OCTOBER 2018 ("PROSPECTUS").

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.

1 Opening and Closing of Application

Opening of the Application Period: 10.00 A.M., 23 October 2018

Closing of the Application Period: 5.00 P.M., 30 October 2018

Applications for our IPO Shares will open and close at the times and dates stated above. In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia. The dates for the ballot of the applications for our IPO Shares, the allotment of our IPO Shares and our Listing would then be extended accordingly.

Late Applications will not be accepted.

2 Methods of Applications

2.1 Application for our IPO Shares by the Malaysian Public and our eligible Directors, employees and persons who have contributed to the success of our Group

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of Application and category of investors	Application Method
(i) Malaysian Public:	
• Individuals	White application Forms or Electronic Share Application or Internet Share Application
• Corporation or institution	White Application Forms **only**
(ii) Our eligible employees	Pink Application Forms **only**
(iii) Selected investors by way of placement	Selected investors will be contacted directly by the Placement Agent and should follow the instructions communicated to them by the Placement Agent if they wish to accept the IPO Shares. They may also apply for the IPO Shares allocated to the Malaysian Public by completing the White Application Form, Electronic Share Application or Internet Share Application

3 Eligibility

3.1 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must have a CDS account. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs listed in Section 12 below.

(ii) 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 with a Malaysian address; 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.

(iii) 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

(iv) You must submit an Application by using only one of the following methods:

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

3.2 Application by our eligible employees (Pink Application Form)

Our eligible employees will be provided with **Pink Application Forms** and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

Our eligible employees who apply for our IPO Shares must have a CDS account and a correspondence address in Malaysia.

Applicants provided with Pink Application Forms may also apply for our IPO Shares offered to the Malaysian Public.

You agree that any application which you make for our IPO Shares is irrevocable.

4 Procedures for Application by Way of Application Forms

Each application for our IPO Shares must be made using the correct type of Application Form. The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

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.

The Malaysian Public must follow the following procedures in making their applications through the **White** Application Form.

(a) Obtain the relevant Application Form together with the Official "A" and "B" envelopes and our Prospectus.

The **White** Application Forms together with our Prospectus, can be obtained subject to availability from TA Securities, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia or Malaysian Investment Banking Association and the Issuing House.

(b) In accordance with Section 232(2) of the CMSA, the White Application Form are accompanied by our Prospectus. You are advised to read and understand our Prospectus before making your Application.

(c) Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in our Prospectus, including:

(i) Ensuring that your personal particulars submitted in your Application are identical with the records maintained by Bursa Depository. You are required to inform Bursa Depository promptly of any changes to your personal particulars as the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

(ii) Stating your CDS account number in the space provided in the White Application Form. Invalid or nominee or third party CDS accounts will **not** be accepted.

(iii) Stating the details of your payment in the appropriate boxes provided in the White Application Form.

(iv) Stating the number of shares applied. Applications must be for at least 100 IPO Shares or multiples of 100 IPO Shares.

(d) Prepare the appropriate form of payment in RM for the FULL amount payable based on the IPO Price of RM0.25 for each IPO Share.

Payment must be made out in favour of **"MIH SHARE ISSUE ACCOUNT NUMBER 593"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Only Banker's Draft or Cashier's Order drawn on a bank in Kuala Lumpur, Money or Postal Orders (Sabah and Sarawak only) and Guaranteed Giro Order from Bank Simpanan Nasional Malaysia Berhad will be accepted.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

We will not accept Applications with excess or insufficient remittances or inappropriate forms of payment. Remittances must be completed in the appropriate boxes provided in the White Application Form.

(e) Insert the White Application Form together with payment and a legible photocopy of your identification document (NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable)) into the Official "A" envelope and seal it. You must write your name and address on the outside of the Official "A" and "B" envelopes.

Affix an 80 sen stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

The name and address written must be identical to your name and address as in your NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable).

(f) Each completed White 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:

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

(ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of the Malaysian Issuing House, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan so as to arrive not later than 5.00 p.m. on **30 October 2018** or by such other time and date specified in any change to the date or time for closing. We will not accept late Applications.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your White Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

5 Application by Way of Electronic Share Applications

5.1 Participating Financial Institutions

Malaysian individuals may apply for our IPO Shares through the ATM of the following Participating Financial Institutions and their branches. The following processing fee for each Electronic Share Application will be charged by the respective Participating Financial Institutions (unless waived) as follows:

Participating Financial Institutions	Charges
Affin Bank Berhad	Free
Alliance Bank Malaysia Berhad	RM1.00
AmBank (M) Berhad	RM1.00
CIMB Bank Berhad	RM2.50
HSBC Bank Malaysia Berhad	RM2.50
Malayan Banking Berhad	RM1.00
Public Bank Berhad	RM2.00
RHB Bank Berhad	RM2.50
Standard Chartered Bank Malaysia Berhad (at selected branches only)	RM2.50

Please note that these processing fees may be varied or waived from time to time at the discretion of the respective Participating Financial Institutions. Please contact the relevant Participating Financial Institutions for further enquiries.

5.2 Procedures for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR ELECTRONIC SHARE APPLICATIONS SET OUT BELOW AND AT THE RESPECTIVE ATM CAREFULLY PRIOR TO MAKING AN ELECTRONIC SHARE APPLICATION.

If you encounter any problems in your Application, you may refer to the respective Participating Financial Institutions.

You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our IPO Shares at an ATM belonging to other Participating Financial Institutions;

You are to submit at least the following information through the ATM, where the instructions on the ATM screen require you to do so:-

- Personal Identification Number ("**PIN**");
- MIH Share Issue Account Number 593;
- Your CDS account number;
- Number of IPO Shares applied for and the RM amount to be debited from the account; and
- Confirmation of several mandatory statements as set out in Section 5.3 below.

Upon the completion of your Electronic Share Application transaction at the ATM, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

5.3 Terms and Conditions for Electronic Share Application

You must have a CDS account to be eligible to use the Electronic Share Application. Invalid, nominee or third party CDS accounts will not be accepted.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE ABOVE.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:-

(i) The Electronic Share Application shall be made in relation to and subject to the terms of our Prospectus and our Company's Constitution.

(ii) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:-

(a) You are at least 18 years old as at the date of the application for our IPO Shares;

(b) You are a Malaysian citizen residing in Malaysia;

(c) You have read our Prospectus and understood and agreed with the terms and conditions of the Application;

(d) The Electronic Share Application is the only application that you are submitting for our IPO Shares offered to the Malaysian Public; and

(e) You consent to the disclosure by the Participating Financial Institution and Bursa Depository of information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, it is considered that you have confirmed each of the above statements as well as given consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Services Act, 2013 and Section 45 of SICDA) to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to the Issuing House or any relevant authorities.

(iii) You confirm that you are not applying for our IPO Shares offered to the Malaysian Public as a nominee of any other person and that the Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one Electronic Share Application and shall not make any other application for our IPO Shares offered to the Malaysian Public.

(iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time the Electronic Share Application is made, failing which the Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.

(v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated in the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate a lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated keys or buttons on the ATM keyboard) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and your acceptance to be bound by our Constitution.

(vi) the Issuing House, on the authority of our Board, reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in whole or in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

(vii) You request and authorise us:-

(a) to credit our IPO Shares allotted or allocated to you into your CDS account; and

(b) to IPO share certificate(s) representing such IPO Shares or jumbo certificates which represent, amongst others, such IPO Shares, allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

(viii) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond our control or the control of the Issuing House, Bursa Depository or the Participating Financial Institution, and irrevocably agree that if:-

(a) our Company or the Issuing House does not receive your Electronic Share Application; or

(b) the data relating to your Electronic Share Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company or the Issuing House,

you shall be deemed not to have made an Electronic Share Application and shall not make any claim whatsoever against our Company, the Issuing House or the Participating Financial Institution for our IPO Shares applied for or for any compensation, loss or damage.

(ix) All of your particulars in the records of the relevant Participating Financial Institution at the time of making the Electronic Share Application shall be deemed to be true and correct, and our Company, the Issuing House and the relevant Participating Financial Institution shall be entitled to rely on their accuracy.

(x) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application will be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allotment will be sent to your registered or correspondence address last maintained with Bursa Depository.

(xi) By making and completing an Electronic Share Application, you agree that:-

(a) in consideration of us agreeing to allow and accept the application for our IPO Shares through the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

(b) we, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our or the control of any of them;

(c) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our IPO Shares for which the Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said IPO Shares;

(d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and other documents required for the issue or transfer of our IPO Shares allotted or allocated to you; and

(e) you agree that in relation to any legal action, proceedings or disputes arising out of or in relation to the contract between the parties and / or the Electronic Share Application and / or any terms of our Prospectus, all rights, obligations and liabilities of the parties shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(xii) the Issuing House, acting on the authority of our Board reserves the right to reject Applications which do not conform to these instructions.

6 Application by Way of Internet Share Applications

6.1 Internet Participating Financial Institutions

Applications for our IPO Shares by the Malaysian Public Individuals may be made through the Internet financial services website of the Internet Participating Financial Institutions.

YOU ARE ADVISED NOT TO APPLY FOR OUR IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Instituition	**Website address**	**Fees charged**
Affin Bank Berhad	www.affinOnline.com	Free
Alliance Bank Malaysia Berhad	www.allianceonline.com.my	RM1.00
CIMB Investment Bank Berhad	www.eipocimb.com	RM2.00 for payment through CIMB Bank Berhad or Malayan Banking Berhad
CIMB Bank Berhad	www.cimbclicks.com.my	RM2.00 for applicants with CDS Accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs
Malayan Banking Berhad	www.maybank2u.com.my	RM1.00
RHB Bank Berhad	www.rhbgroup.com	RM2.50
Public Bank Berhad	www.pbebank.com	RM2.00

Please note that these fees may be varied or waived from time to time at the discretion of the respective Internet Participating Financial Institutions. Please contact the relevant Internet Participating Financial Institutions for further enquiries.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR INTERNET SHARE APPLICATIONS SET OUT BELOW AND AT THE INTERNET FINANCIAL SERVICES WEBSITE OF THE RESPECTIVE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

If you encounter any problems in your Application, you may refer to the respective Internet Participating Financial Institutions.

6.2 Terms and Conditions for Internet Share Application

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and subject to the following terms and conditions:

(i) You can make an Internet Share Application if you fulfill all of the following:

(a) You are an individual with a CDS Account and in the case of a joint account, an individual CDS Account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS Account registered in the joint account holder's name;

(b) You have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have your user identification ("User ID") and Personal Identification Numbers ("PIN")/password for the relevant Internet financial services facilities; and

(c) You are a Malaysian citizen and have a mailing address in Malaysia.

You are advised to note that a User ID and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for our IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

(ii) An Internet Share Application shall be made on and subject to the terms of our Prospectus and our Company's Constitution.

(iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given are true and correct:

(a) You are at least 18 years old as at the date of the application for our IPO Shares;

(b) You are a Malaysian citizen residing in Malaysia;

(c) You have, prior to making your Internet Share Application, received and/or have had access to a printed/electronic copy of our Prospectus, the contents of which you have fully read and understood;

(d) You agree to all the terms and conditions of the Internet Share Application as set out in our Prospectus and have carefully considered the risk factors as well as all other information and statements set out in our Prospectus, before making your Internet Share Application;

(e) Your Internet Share Application is the only application that you are submitting for our IPO Shares offered to the Malaysian Public;

(f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;

(g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Service Act, 2013 and Section 45 of SICDA) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of your information, your Internet Share Application or your account with the Internet Participating Financial Institution, to our Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;

(h) You are not applying for our IPO Shares as a nominee of any other person and your Internet Share Application is made in your own name, as beneficial owner and subject to the risks referred to in our Prospectus;

(i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with our IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with our IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.

(iv) Your Application will not be successfully completed and cannot be recorded as a completed application unless you have paid for our IPO Shares through the website of the Authorised Financial Institution and completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of our Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that your Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for which you can print out for your records.

Upon the display of the Confirmation Screen, you will be deemed to have confirmed the truth of the statements set out in Section 6.2 (iii) above. The Confirmation Screen is only a record of the completed transaction with an

Internet Participating Financial Institution and not a record of the receipt of the Internet Share Application or any data relating to such an Internet Share Application by our Company or the Issuing House. The Confirmation Screen is for your record and should not be submitted with any Application Form.

(v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making your Internet Share Application, to cover and pay for our IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which your Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in our Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.

(vi) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Internet Share Application. In the event that we decide to allot or allocate lesser number of such Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final.

In the course of completing your Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

(a) Your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and

(b) Your agreement to be bound by the Constitution of our Company.

(vii) You are fully aware that multiple or suspected multiple Internet Share Applications for our IPO Shares will be rejected. **A PERSON WHO SUBMITS MULTIPLE INTERNET SHARE 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**. Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating the Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

(viii) An Internet Share Application is deemed to be received only upon its completion, which is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for reference and record purposes. Late Internet Share Applications will not be accepted.

(ix) You acknowledge that your Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, and other events beyond the control of the Internet Participating Financial

Institution, the Authorised Financial Institution, the Issuing House and our Company and irrevocably agree that if:

(a) our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment; and

(b) any data relating to your Internet Share Application or the tape or any other devices containing such data and/or payment is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever,

you will be deemed not to have made an Internet Share Application and you will not make any claim whatsoever against our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution in relation to our IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

(x) All of your particulars in the records of the relevant Internet Participating Financial Institution at the time of your Internet Share Application shall be deemed to be true and correct, and we, the Issuing House, the Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You must ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application will be rejected. The notification letter on successful allotment will be sent to your last address maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

7 Authority of Our Board and the Issuing House

Your Application will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares. 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 our 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

(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), by:

(a) ordinary post through the self-addressed and stamped Official "A" envelope which you have provided to Bursa Depository;

(b) crediting into your bank account for the purposes of cash dividend / distribution if you have provided such bank account information to Bursa Depository; or

(c) ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository.

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.

8 Over / Under-Subscription

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 shares and the balloting results in connection therewith will be furnished by the issuing house to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website (www.mih.com.my) within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's IPO share capital to be held by at least 200 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 the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or eligible employees, subject to the underwriting arrangements and reallocation as set out in Section [3.1.2] of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

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.

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 refunded 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 last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot at your own risk.

(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 official valid temporary identity documents 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 ten (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 registered post to your last address 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).

9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) 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 Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within two (2) Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th 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 ten (10) Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

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 last address maintained with the 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 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.

11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	MIH Enquiry Services Telephone at telephone no. 03-7841 8289
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA during office hours at the telephone number as listed in Section 12 below.

12 LIST OF ADAS

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:-

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
KUALA LUMPUR		
AFFIN HWANG INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03 - 7710 6688	068-009
AFFIN HWANG INVESTMENT BANK BERHAD	Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03 – 2143 8668	068-018
AFFIN HWANG INVESTMENT BANK BERHAD	38A & 40A Jalan Midah 1 Taman Midah 56000 Cheras Kuala Lumpur Tel No : 03 – 9130 8803	068-021
ALLIANCE INVESTMENT BANK BERHAD	Level 17, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03 – 2604 3333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03 – 2078 2788 / 2036 2633	086-001
BIMB SECURITIES SDN BHD	Level 32, Menara Multi Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03 – 2691 8887 / 2613 1600	024-001
CIMB INVESTMENT BANK BERHAD	Level 17, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel No : 03 – 2261 8888	065-001
FA SECURITIES SDN BHD	A-10-1 & A-10-17 Level 10, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel No : 03 – 2288 1676	021-002

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

HONG LEONG INVESTMENT BANK BERHAD	Level 7, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03 – 2168 1168	066-001
HONG LEONG INVESTMENT BANK BERHAD	Level 25 & 26, Menara LGB No 1, Jalan Wan Kadir 60000, Taman Tun Dr Ismail Kuala Lumpur Tel No : 03 – 7723 6300	066-002
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03 – 2117 1888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8, Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03 – 7984 7796	054-003
INTER-PACIFIC SECURITIES SDN BHD	No. 33-1 (First Floor) Jalan Radin Bagus Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03 – 9056 2921 / 9056 2922	054-007
JUPITER SECURITIES SDN BHD	Level 8 & 9, Menara Olympia No. 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03 – 2034 1888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03 – 2171 0228	053-001
KENANGA INVESTMENT BANK BERHAD	Level 17, Kenanga Tower, 237 Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03 – 2172 2888	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03 – 4297 8806	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor West Wing ECM Libra Building 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03 – 2089 2888	073-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

M & A SECURITIES SDN BHD	Level 1-3, No. 45 & 47 and 43-6 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No : 03 – 2282 1820	057-002
M & A SECURITIES SDN BHD	22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Tel No : 03 – 7983 9890	057-004
MALACCA SECURITIES SDN BHD	No 76-1, Jalan Wangsa Maju Delima 6, Pusat Bandar Wangsa Maju (KLSC) Setapak, 53300, Kuala Lumpur Tel No: 03 – 4144 2565	012-001
MAYBANK INVESTMENT BANK BERHAD	Level 5, Tower C Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03 – 2297 8888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel No : 03 -6203 7227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	Level 9, 10, 11, 12 Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03 – 2173 8888	026-001
PM SECURITIES SDN BHD	Mezzanine & 1st Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03 – 2146 3000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03 – 2268 3000	051-001
RHB INVESTMENT BANK BERHAD	Level 1, Tower 3 RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03 – 9287 3338	087-001
RHB INVESTMENT BANK BERHAD	No. 62, 62-1, 64 & 64-1, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03 – 6257 5869	087-028

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

RHB INVESTMENT BANK BERHAD	No. 5 & 7 Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel No : 03 – 4280 4798	087-054
RHB INVESTMENT BANK BERHAD	Ground Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03 – 9058 7222	087-058
TA SECURITIES HOLDINGS BERHAD	Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03 – 2072 1277	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	N-1-3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03 – 6205 6000	078-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 19th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03 – 2147 1888	078-010

SELANGOR DARUL EHSAN

AFFIN HWANG INVESTMENT BANK BERHAD	20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9, 40100 Shah Alam Selangor Darul Ehsan Tel No : 03 – 5513 3288	068-002
AFFIN HWANG INVESTMENT BANK BERHAD	Suite B 3A1, East Wing, 3Ath Floor, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03 – 5635 6688	068-010
AFFIN HWANG INVESTMENT BANK BERHAD	4th Floor, Wisma Meru 1 Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03 – 3343 9999	068-019
AFFIN HWANG INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve 6 Jalan PJU 7/3, Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7729 8016	068-020

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

AFFIN HWANG INVESTMENT BANK BERHAD	No.79-1, Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03 – 3322 1999	068-023
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7710 6613	086-001
CIMB INVESTMENT BANK BERHAD	Level G & Level 1, Tropicana City Office Tower No 3 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7717 3388	065-001
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03 – 8736 1118	079-001
JF APEX SECURITIES BERHAD	16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7620 1118	079-002
JF APEX SECURITIES BERHAD	Block J-6-3A, Setia Walk PSN Wawasan Pusat Bandar Puchong 47160 Puchong Selangor Darul Ehsan Tel No : 03 – 5879 0163	079-004
JUPITER SECURITIES SDN BHD	No 42-46, 3rd Floor Jalan SS19/1D 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03 – 5632 4838	055-001
KENANGA INVESTMENT BANK BERHAD	No. 55C, 2nd Floor Jalan USJ 10/1F 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03 – 8024 1773	073-001
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7725 9095	073-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 No. 7 Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03 – 5621 2118	073-001
KENANGA INVESTMENT BANK BERHAD	35 (Ground, 1st & 2nd Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03 – 3348 8080	073-001
MALACCA SECURITIES SDN BHD	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03 – 5636 1533	012-001
MALACCA SECURITIES SDN BHD	No. 58 & 60, 1st Floor Jalan SS2/67, 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7876 1533	012-001
MALACCA SECURITIES SDN BHD	No. 39-2, Jalan Temenggung, 21/9 Section 9, Bandar Mahkota Cheras, 43200 Cheras, Selangor Tel No : 03 – 9011 5913	012-001
MAYBANK INVESTMENT BANK BERHAD	Suite 8.02, Level 8, Menara Trend Intan Millennium Square No. 68, Jalan Batai Laut 4, Taman Intan 41300 Klang, Selangor Darul Ehsan Tel No : 03 – 3050 8888	098-003
MAYBANK INVESTMENT BANK BERHAD	Wisma Bentley Music Level 1, No. 3, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7718 8888	098-004
PM SECURITIES SDN BHD	1st Floor, 157- A, Jalan Kenari 2A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03 – 8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03 – 3341 5300	064-001
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7873 6366	087-011

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03 – 8736 3378	087-045
RHB INVESTMENT BANK BERHAD	First Floor, 10 & 11 Jalan Maxwell 48000, Rawang Selangor Darul Ehsan Tel No :03 – 6092 8916	087-047
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03 – 3343 9180	087-048
RHB INVESTMENT BANK BERHAD	Unit 1B, 2B & 3B Jalan USJ 10/1J USJ 10, 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03 – 8022 1888	087-059
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy, Lot 72, Persiaran Jubli Perak Section 22, 40000 Shah Alam Selangor Darul Ehsan Tel No : 03 – 5192 0202	096-001
SJ SECURITIES SDN BHD	No. A-3-11 Block Alamanda 10 Boulevard Lebuhraya Sprint, PJU 6A 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 7732 3862	096-005
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03 – 8025 1880	058-005
TA SECURITIES HOLDINGS BERHAD	2nd Floor, Wisma TA 1A Jalan SS20/1, Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel no : 03 – 7729 5713	058-007

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
MELAKA		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06 – 2898 800	065-006
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang 75250 Melaka Tel No : 06 – 3371 533	012-001
KENANGA INVESTMENT BANK BERHAD	71 (Ground, A&B) & 73 (Ground, A&B) Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06 – 2881 720	073-001
KENANGA INVESTMENT BANK BERHAD	22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No : 06 – 3372 550	073-001
MERCURY SECURITIES SDN BHD	81, 81A & 81B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06 – 2921 898	093-003
PM SECURITIES SDN BHD	No 6-1, Jalan Lagenda 2, Taman 1 Lagenda, 75400 Melaka Tel No : 06 – 2880 050	064-006
RHB INVESTMENT BANK BERHAD	579, 580 & 581, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06 – 2849 885	087-026
TA SECURITIES HOLDINGS BERHAD	59, 59A, 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06 – 2862 618	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	7-2 Jalan PPM8 Malim Business Park 75250 Melaka Tel No : 06 – 3352 511	078-014

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
PERAK DARUL RIDZUAN		
AFFIN HWANG INVESTMENT BANK BERHAD	21, Jalan Stesen Ground Floor, 1, 2 & 3 34000 Taiping Perak Darul Ridzuan Tel No : 05 – 8066 688	068-003
AFFIN HWANG INVESTMENT BANK BERHAD	2nd & 3rd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05 – 2559 988	068-015
CIMB INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05 – 2088 688	065-001
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05 – 2530 888	066-003
KENANGA INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 4th Floor No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05 – 2422 828	073-022
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No : 05 – 6939 828	073-031
M & A SECURITIES SDN BHD	M&A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05 – 2419 800	057-001
MALACCA SECURITIES SDN BHD	No 3, 1st Floor, Persiaran Greenhill 30450, Ipoh Perak Darul Ridzuan Tel No: 05 – 2541 533 / 2541 577	012-013

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh, Perak Tel No : 05 – 2453 400	098-002
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05 – 6236 498	087-014
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05 – 6921 228	087-016
RHB INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05 – 2415 100	087-023
RHB INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05 – 8088 229	087-034
RHB INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05 – 4651 261	087-044
RHB INVESTMENT BANK BERHAD	No 1&3, 1st Floor Jalan Wawasan Satu Taman Wawasan Jaya 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05 – 7170 888	087-052
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05 – 2531 313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD	153A Jalan Raja Musa Aziz 30300 Ipoh Perak Darul Ridzuan Tel No : 05 – 2411 290	078-002

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
PULAU PINANG		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 2, 3, 4, 5, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04 – 2636 996	068-001
AFFIN HWANG INVESTMENT BANK BERHAD	No. 2 & 4, Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04 – 5372 882	068-006
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Bangunan Barkath 21, Lebuh Pantai 10300 Pulau Pinang Tel No: 04 – 2611 688	076-015
AMINVESTMENT BANK BERHAD	3rd Floor, Menara Liang Court 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04 – 2261 818	086-001
CIMB INVESTMENT BANK BERHAD	Level 2, Menara BHL, 51, Jalan Sultan Ahmad Shah, 10050 Pulau Pinang Tel No : 04 – 2385 900	065-001
INTER-PACIFIC SECURITIES SDN BHD	Canton Square Level 2 (Unit 1) & Level 3 No 56. Cantontment Road 10250 Pulau Pinang Tel No : 04 – 2268 288	054-002
JF APEX SECURITIES BERHAD	368-2-5 Jalan Burmah Belissa Row 10350 Pulau Tikus Pulau Pinang Tel No : 04 – 2289 118	079-005
JUPITER SECURITIES SDN BHD	20-1, Persiaran Bayan Indah Bayan Bay, Sungai Nibong 11900 Bayan Lepas Pulau Pinang Tel No : 04 – 6412 881	055-001
KENANGA INVESTMENT BANK BERHAD	7th, 8th & 16th Floor Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04 – 2283 355	073-023

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

M & A SECURITIES SDN BHD	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No : 04 – 2817 611	057-005
M & A SECURITIES SDN BHD	9-1-33, Taman Kheng Tian Jalan Van Praagh, 11600, Georgetown Pulau Pinang Tel No : 04 – 2888 788	057-008
MALACCA SECURITIES SDN BHD	48 Jalan Todak 2 13700 Seberang Jaya Pulau Pinang Tel No : 04 – 3905 669	012-001
MALACCA SECURITIES SDN BHD	No 17, 1st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas Pulau Pinang Tel No : 04 – 6421 533	012-001
MALACCA SECURITIES SDN BHD	No. 9-1-37, Taman Kheng Tian Jalan Van Praagh 11600 , Jelutong Pulau Pinang Tel: 04 – 2821 1533	012-001
MAYBANK INVESTMENT BANK BERHAD	Lot 1.02, 1st Floor, Bangunan KWSP Jalan Sultan Ahmad Shah 10050 Georgetown, Pulau Pinang Tel No : 04 – 2196 888	098-006
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai Pulau Pinang Tel No : 04 – 3322 123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuh Pantai 10300 Pulau Pinang Tel No : 04 – 2639 118	093-004
MERCURY SECURITIES SDN BHD	D'Piazza Mall 70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Pulau Pinang Tel No : 04 – 6400 822	093-007
PM SECURITIES SDN BHD	Level 3, Wisma Wang 251-A, Jalan Burmah 10350, Pulau Pinang Tel No : 04 – 2273 000	064-004

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel No : 04 – 3900 022	087-005
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04 – 5402 888	087-015
RHB INVESTMENT BANK BERHAD	64 & 64-D Ground Floor-3rd Floor & 5th-8th Floor Lebuh Bishop 10200 Pulau Pinang Tel No : 04 – 2634 222	087-033
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5, 15-1-6, 15-2-5, 15-2-6 & 15-2-24 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04 – 6404 888	087-042
TA SECURITIES HOLDINGS BERHAD	3rd Floor, Bangunan Heng Guan No 171, Jalan Burmah 10050 Pulau Pinang Tel No : 04 – 2272 339	058-010
UOB KAY HIAN SECURITIES (M) SDN BHD	1st Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04 – 2299 318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pualau Pinang Tel No : 04 – 5541 388	078-003

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	Ground, Mezzanine & 1st Floor B400, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09 – 5660 800	076-002
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. A-27 Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No : 09 – 5057 800	065-001
JUPITER SECURITIES SDN BHD	2nd Floor Lot No 25 Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No : 09 – 2234 136	055-001
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No : 09 – 5171 698	073-027
MALACCA SECURITIES SDN BHD	P11-3, Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No : 09 – 2220 993 / 014 – 9215 992	012-001
RHB INVESTMENT BANK BERHAD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09 – 5173 811	087-007
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No : 09 – 2234 943 / 2234 948	087-022
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 09 – 4914 913	087-041

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
KELANTAN DARUL NAIM		
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09 – 7430 077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09 – 7432 288 / 09 – 743 3388	058-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground &1st Floor Lot 712, Sek 9, PT 62 Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09 – 7473 906	078-004
TERENGGANU DARUL IMAN		
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09 – 6317 922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09 – 6238 128	021-001
RHB INVESTMENT BANK BERHAD	1st Floor, 59 Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09 – 6261 816	087-055
UOB KAY HIAN SECURITIES (M) SDN BHD	37-B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09 – 6224 766	078-016

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
KEDAH DARUL AMAN		
AFFIN HWANG INVESTMENT BANK BERHAD	70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04 – 4256 666	068-011
ALLIANCE INVESTMENT BANK BERHAD	Lot T-30, 2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04 – 7317 088 / 731 8270	076-004
RHB INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04 – 4204 888	087-017
RHB INVESTMENT BANK BERHAD	35, Ground Floor, Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04 – 4964 888	087-019
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor, 214-A, 214-B, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04 – 7209 888	087-021
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 4, 5 & 5A, 1st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04 – 7322 111	078-007

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
NEGERI SEMBILAN DARUL KHUSUS		
AFFIN HWANG INVESTMENT BANK BERHAD	1st Floor, 105, 107 & 109 Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06 – 7612 288	068-007
AFFIN HWANG INVESTMENT BANK BERHAD	6, Upper Level, Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06 – 4553 188	068-013
KENANGA INVESTMENT BANK BERHAD	1C & 1D, Ground & 1st Floor Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan Tel No : 06 – 7655 998	073-001
MAYBANK INVESTMENT BANK BERHAD	Wisma HM No. 43, Jalan Dr Krishnan 70000 Seremban Negeri Sembilan Tel No : 06 – 7669 555	098-005
PM SECURITIES SDN BHD	1st-3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06 – 7623 131	064-002
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 32 & 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06 – 7641 641	087-024
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06 – 6461 234	087-046

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
JOHOR DARUL TAKZIM		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07 – 2222 692	068-004
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07 – 7717 922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07 - 4342 282	086-001
AMINVESTMENT BANK BERHAD	18th Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07 – 3343 855	086-001
CIMB INVESTMENT BANK BERHAD	No 73, Ground Floor No 73A & 79A, First Floor Jalan Kuning Dua, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07 – 3405 888	065-001
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07 – 2231 211	054-004
JUPITER SECURITIES SDN BHD	30-1, Jalan Molek 1/10, Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07 – 3538 878	055-001
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07 – 3333 600	073-004
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07 – 9333 515	073-009

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

KENANGA INVESTMENT BANK BERHAD	33 & 35 (A&B), Ground Floor Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07 – 7771 161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06 – 9782 292	073-001
KENANGA INVESTMENT BANK BERHAD	24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07 – 4326 963	073-001
KENANGA INVESTMENT BANK BERHAD	57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06 – 9531 222	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07 – 4678 885	073-001
KENANGA INVESTMENT BANK BERHAD	916, Ground Floor Jalan Bakek 82000, Pontian Johor Darul Takzim Tel: 07 – 6861 121	073-001
M & A SECURITIES SDN BHD	Suite 5.3A, Level 5, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07 – 3381 233	057-003
M & A SECURITIES SDN BHD	No 27, 27A & 27B Jalan Molek 3/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07 – 3551 988	057-007
MALACCA SECURITIES SDN BHD	74 Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07 – 3351 533	012-001

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

MALACCA SECURITIES SDN BHD	1735-B Jalan Sri Putri 4 Taman Putri Kulai 81000, Kulaijaya Johor Darul Takzim Tel: 07 – 6638 877	012-001
MALACCA SECURITIES SDN BHD	Lot 880, 3 ½ Mile Jalan Salleh 84000 Muar Johor Darul Takzim Tel: 06 – 9536 948	012-001
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07 – 3316 992	093-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07 – 4333 608	064-001
RHB INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07 – 2788 821	087-006
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07 – 4380 288	087-009
RHB INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06 – 9538 262	087-025
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No : 07 – 5577 628	087-006
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07 – 9321 543	087-030

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 40 Jalan Haji Manan 86000 Kluang Johor Darul Takzim Tel No : 07 – 7769 655	087-031
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07 – 6626 288	087-006
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor, Nos. 21 & 23 Jalan Molek 1/30, Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07 -3522 293	087-006
TA SECURITIES HOLDINGS BERHAD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel No : 07 – 9435 278	058-003
TA SECURITIES HOLDINGS BERHAD	15, Jalan Molek 1/5A Taman Molek 81000 Johor Bahru Tel No: 07 – 3647 388	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07 – 3332 000	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07 – 6635 651	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	70 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07 – 3513 218	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	171 Ground Floor Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07 – 5121 633	078-008

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
SARAWAK		
AFFIN HWANG INVESTMENT BANK BERHAD	Ground Floor & 1st Floor No. 1, Jalan Pending 93450 Kuching Sarawak Tel No : 082 – 341 999	068-005
AFFIN HWANG INVESTMENT BANK BERHAD	282, 1st Floor Park City Commercial Center Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086 – 330 008	068-005
AMINVESTMENT BANK BERHAD	1st , 2nd, & 3rd Floor, No. 162, 164, 166 & 168 Jalan Abell 93100 Kuching Sarawak Tel No : 082 – 244 791	086-001
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No : 084 – 367 700	065-001
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching, Sarawak Tel No : 082 – 358 688	065-001
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085 – 435 577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082 – 338 000	073-003
KENANGA INVESTMENT BANK BERHAD	11-12, Ground & 1st Floor Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No : 084 – 313 855	073-012

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
KENANGA INVESTMENT BANK BERHAD	Ground Floor of Survey Lot No 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000 Bintulu Sarawak Tel No : 086 – 337 588	073-018
KENANGA INVESTMENT BANK BERHAD	Suites 9&10, 3rd Floor, Yung Kong Abell Lot 365 Abell Road 93100 Kuching Sarawak No Tel : 082 – 248 877	073-036
MERCURY SECURITIES SDN BHD	1st Floor 16, Jalan Getah 96100 Sarikei, Sarawak Tel No : 084 – 656 281	093-001
RHB INVESTMENT BANK BERHAD	Yung Kong Abell Units No. 1-10, 2nd Floor Lot 365, Section 50, Jalan Abell 93100 Kuching Sarawak Tel : 082 – 250 888	087-008
RHB INVESTMENT BANK BERHAD	2nd Floor, Lot 1268 & Lot 1269 Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085 – 422 788	087-012
RHB INVESTMENT BANK BERHAD	No. 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No : 084 – 329 100	087-008
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 221, Parkcity Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086 – 311 770	087-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No : 084 – 319 998	058-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 1265, 1st Floor Centre Point Commercial Centre Jalan Melayu 98000, Miri Sarawak Tel: 085 – 324 128	078-017

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor No 16, Lorong Intan 6 96000 Sibu Sarawak Tel: 084 – 252 737	078-018
SABAH		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu, Sabah Tel No : 088 – 311 688	068-008
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088 – 328 878	065-001
KENANGA INVESTMENT BANK BERHAD	Level 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088 – 236 188	073-032
KENANGA INVESTMENT BANK BERHAD	1st Floor, Lot 40 (corner) Taman Nasalim, Phase 7A, Mile 5 Jalan Lintas Utara 90000 Sandakan Sabah Tel No: 089 – 464 801	073-001
KENANGA INVESTMENT BANK BERHAD	Lot 99-01 [TB 15611-0] Ground Floor, Kubota Road 91000 Tawau Sabah Tel No: 089 – 704 892	073-001
RHB INVESTMENT BANK BERHAD	2nd Floor 81 & 83, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088 – 269 788	087-010
UOB KAY HIAN SECURITIES (M) SDN BHD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No : 088 – 234 090	078-011

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

NAME	ADDRESS AND TELEPHONE NUMBER	BROKER CODE
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 177 & 178, Ground Floor Block 17, Phase 2, Prima Square Mile 4, North Road 90000 Sandakan Sabah Tel No : 089 – 218 681	078-012