

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)

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www.securemetric.com

SECUREMETRIC BERHAD (Company No. 1234029-D)

PROSPECTUS



SECUREMETRIC BERHAD **SECURE
METRIC**
(Company No. 1234029-D)
(Incorporated in Malaysia under the Companies Act 2016) — BERHAD —

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**
A MEMBER OF THE TA GROUP
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.

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.

IMPORTANT NOTICE (CONT'D)

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.

IMPORTANT NOTICE (CONT'D)

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	:	FIPS 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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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
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 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.

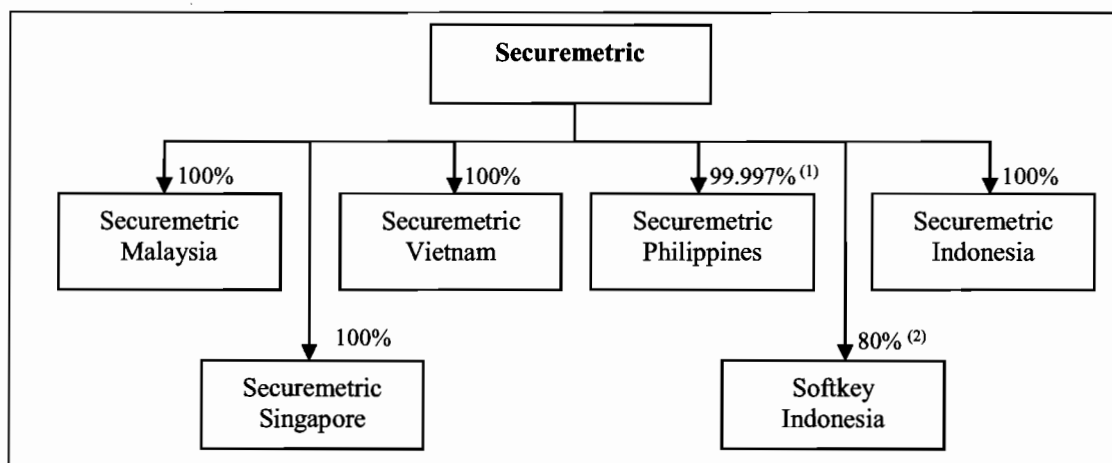
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2. PROSPECTUS SUMMARY

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	<ul style="list-style-type: none"> • Digital security solutions <ul style="list-style-type: none"> - 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		After IPO	
			Direct		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	<ul style="list-style-type: none"> Incorporation of Softkey Malaysia to trade third party digital security product namely software licensing protection dongles, and electronic identification products
2006	<ul style="list-style-type: none"> Incorporation of Softkey Indonesia
2007	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Initiated R&D on our PKI solutions Secured our first PKI project, with FPT Information System Corporation
2012	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Incorporation of Securemetric Philippines Introduced PKI IN A BOX solution
2014	<ul style="list-style-type: none"> Initiated the R&D of CENTAGATE®
2015	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.

Reconciliation of PBT 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	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).

2. PROSPECTUS SUMMARY (CONT'D)

- (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

2. PROSPECTUS SUMMARY (CONT'D)

	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.

Promoters	Under moratorium for the first 6 months after Listing		Under moratorium for the subsequent 6 months	
	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.

3. DETAILS OF THE IPO (CONT'D)

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. DETAILS OF THE IPO (CONT'D)

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 be 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 returned in full, without interest. If such monies are not returned in full within 14 days after our Company becomes 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.	Cabinet 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
<u>Promoters, Directors and substantial shareholders</u>				
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
<u>Promoter and substantial shareholder</u>				
Nioo Yu Siong	22,587,895 ⁽¹⁾	-	1,807,032	0.08
<u>Promoter</u>				
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 sensors, smart meters, smart close circuit television (CCTV), smart thermostats) with its software development kits and PKI appliances.	By 2 nd 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 1 st quarter of 2021 and 1 st 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 1 st 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.

3. DETAILS OF THE IPO (CONT'D)

- (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 places 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*

3. DETAILS OF THE IPO (CONT'D)

- (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. RISK FACTORS (CONT'D)

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.

4. RISK FACTORS (CONT'D)

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 be 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.

4. RISK FACTORS (CONT'D)

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. RISK FACTORS (CONT'D)

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 through 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.