8. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

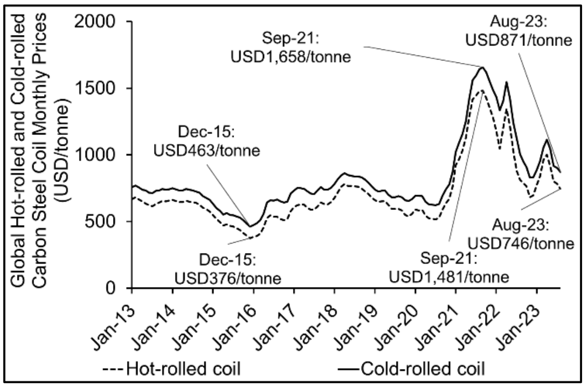
8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 Our business and financial performance are subject to fluctuations of steel prices as the price of our steel products are associated to the prevailing global steel prices, and our financial performance will be affected if we sell our steel products at a lower price than our purchase cost of steel

Our main input materials are steel based materials including hot rolled steel coils and coated cold-rolled steel coils as well as other steel products such as steel pipes, bars and plates. The steel based materials are subject to market price fluctuations where increase in the steel prices will result in higher costs of purchases of our steel based materials.

Steel is a commodity and is subjected to global price fluctuations which affects all operators. In 2021, global hot-rolled and cold-rolled coil prices have been trending upwards, reaching USD1,481/tonne and USD1,658/tonne respectively in September 2021 before tapering in the fourth quarter of 2021. The increase in 2021 was mainly due to demand resulting from the global economic recovery and increasing raw material prices. In 2022, global hot-rolled and cold-rolled coil prices increased to USD1,345/tonne and USD1,546/tonne respectively in April 2022 amid supply concerns resulting from geopolitical tensions and subsequently declined to USD746/tonne and USD871/tonne respectively in August 2023 mainly due to subdued global demand and high energy costs *(Source: IMR Report)*.

Global Hot-rolled and Cold-rolled Carbon Steel Coil Monthly Prices



(Source: IMR Report)

Generally, we price our products based on the prevailing market price of steel which form our base price and we will mark up the price of our products taking into consideration the demand from our customers. A decrease in global steel prices will also affect our revenue performance as the price of our steel products are associated to the prevailing steel prices. It may result in a situation where the prevailing prices that our customers may be willing to pay are lower compared to the average cost of purchase for the corresponding products in our inventory. In the event that our selling price of steel products is lower than the cost of our purchase of the input steel materials, it may result in low profit or losses from the sale which will negatively affect our financial performance.

During the Period Under Review, our financial performance was affected by the price fluctuations of our main input materials namely steel based materials. Our Group's revenue, adjusted GP and adjusted GP margin during the Period Under Review are as follows:

	FYE 2020	FYE 2021	FYE 2022
Revenue (RM'000)	130,864	222,435	236,231
Adjusted GP (RM'000)(1)	25,257	57,066	51,650
Adjusted GP margin (%)(1)	19.3	25.7	21.9

Note:

(1) In FYE 2021, our Group received a bill of claim from RMCD amounting to RM4.9 million, resulting from an audit on the import duty on steel coils purchased for the taxable period from July 2017 to June 2020 ("**Additional Import Duty**"). Our Group has accrued the Additional Import Duty while pending further clarification from RMCD in FYE 2021. In FYE 2022, our Group has reached an agreement with RMCD on a final settlement of RM0.1 million. As such, the overaccrual of RM4.8 million ("**Overaccrued Import Duty**") was reversed in FYE 2022. The adjusted GP and adjusted GP margin excludes the impact of the Additional Import Duty and Overaccrued Import Duty which are one-off in nature.

Our revenue increased by RM91.5 million or 69.9%, to RM222.4 million for FYE 2021. This was mainly due to increase in revenue from roofing sheets and trusses of RM60.0 million or 96.9%, primarily due to the resumption of building construction activities resulting from the progressive relaxation of MCO, as well as the rise in global steel prices in FYE 2021.

Our revenue increased by RM13.8 million or 6.2%, to RM236.2 million for FYE 2022. This was mainly due to increase in revenue from our manufacture of sheet metal products and supply of scaffoldings segments. The decrease in global steel prices during FYE 2022 has affected our selling prices which was offset by the higher volume sold during FYE 2022.

Our adjusted GP increased by RM31.8 million or 125.9%, to RM57.1 million for FYE 2021 and our adjusted GP margin increased to 25.7%. This was mainly contributed by the manufacture of sheet metal products segment which recorded an increase in GP of RM30.0 million or 141.3%, to RM51.1 million for FYE 2021. This was mainly due to we had purchased our raw materials, which are mainly steel-based materials before the significant increase in steel prices during FYE 2021.

Our adjusted GP decreased by RM5.4 million or 9.5%, to RM51.7 million for FYE 2022 and our adjusted GP margin decreased to 21.9% in FYE 2022. This was mainly contributed by the manufacture of sheet metal products segment which recorded a decrease in GP of RM18.8 million or 36.8%, to RM32.3 million for FYE 2022. This was primarily due to the decline in the global steel coil prices during FYE 2022. Our Group had lowered the price of our products following the decline in steel prices, whereas raw materials which are mainly steel-based materials were purchased prior to the decline in steel prices, resulting in our Group's adjusted GP margin to decline in FYE 2022 in line with the fall in steel prices.

We generally maintain a stock holding policy for raw input materials of at least 8 to 12 weeks as most of our raw input materials mainly steel coils require a delivery lead time of 6 to 8 weeks upon the order being placed. Our financial performance including revenue, margins and profitability will be affected when we sell our steel products at prevailing global steel prices which may be lower compared to our purchase cost of steel based materials, which are subject to global prices.

As our financial performance was affected by the fluctuations in steel prices during the Period Under Review, there can be no assurance that our business and financial performance would not be affected by the fluctuations in steel prices.

8.1.2 We are reliant on imports of mainly steel materials which expose us to risks associated with supply chain disruptions and increases in sea freight rate

For the Period Under Review, we mainly purchased imported steel coils. The purchases of steel coils including coated cold-rolled steel coils and hot rolled steel coils, accounted for 88.2%, 87.7% and 84.5% of our total purchases of input materials and services for FYE 2020, FYE 2021 and FYE 2022 respectively. During the Period Under Review, 83.4%, 90.9% and 70.4% of the purchases of steel coils for FYE 2020, FYE 2021 and FYE 2022 were sourced from suppliers in foreign countries including China, Korea, Singapore, Taiwan and Japan.

In addition, we purchased other steel products such as steel pipes, bars and plates which accounted for 4.1%, 6.8% and 12.4% of our total purchases of input materials and services for FYE 2020, FYE 2021 and FYE 2022 respectively. Of this, 69.2%, 87.4% and 2.0% of the purchases of other steel products for the FYE 2020, FYE 2021 and FYE 2022 respectively were sourced from suppliers in foreign countries mainly China and Vietnam.

In this respect, if there are any disruptions in the supply chain of these steel materials from foreign countries, it would interrupt our manufacturing and supply operations, and we would be unable to fulfil our customers' orders in a timely manner. This would adversely affect our market reputation and our financial performance. There is no assurance that our operations would not be affected by any prolonged disruptions in the supply chain.

Furthermore, our reliance on imported steel materials may also expose us to the risks of sustained increases in shipping rates and other supply chain disruptions such as lockdowns or closure of operations in the country of origin such as China due to the impact of the COVID-19. As such, there is no assurance that our business and financial performance would not be affected by any sustained high sea freight rates.

8.1.3 Our financial performance is subject to unfavourable foreign exchange fluctuations

We are exposed to foreign exchange fluctuations including USD mainly arising from our purchases of steel coils and other steel products. During the Period Under Review, our steel coils and other steel products sourced from suppliers in foreign countries include China, Korea, Singapore, Taiwan, Japan and Vietnam. For FYE 2020, FYE 2021 and FYE 2022, 77.9%, 86.2% and 59.7% of our total purchases were transacted in foreign currencies which are mainly in USD.

During the Period Under Review, our sales to customers in Malaysia which were transacted in RM accounted for 98.4%, 91.6% and 95.8% of our total revenue for the FYE 2020, FYE 2021 and FYE 2022. Our export sales were transacted in foreign currencies which are mainly in USD and this accounted for 1.6%, 8.4% and 4.2% of our total revenue for the FYE 2020, FYE 2021 and FYE 2022 respectively.

The purchases of steel coils and other steel products are mainly transacted in USD while our revenue is mainly derived from sales to customers in Malaysia which are transacted in RM. In view of this, our exposure to foreign currency fluctuations from purchases that are transacted in USD are higher compared to the export sales. Any adverse fluctuations in USD against RM may affect our financial performance. A depreciation of the RM against USD will increase the costs of our purchases of steel coils and other steel products and this will have a negative impact on our financial performance if we are unable to pass on the cost increases to our customers.

Details of our foreign currency exchange gain/losses during the Period Under Review are as follows:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Realised gain/(loss) on foreign exchange	176	(344)	1,330
Unrealised gain/(loss) on foreign exchange	(26)	(192)	(464)
Net gain/(loss)	**150**	**(536)**	**866**

As at the LPD, we have not entered into any forward exchange contracts to hedge against negative foreign currency movements. There is no assurance that our financial performance would not be materially affected by any adverse movements in USD against the RM.

8.1.4 The continuing success of our Group depends on the expertise of our Managing Director and key senior management

Our business operations are dependent on the experience, knowledge and skills of our Managing Director as well as key senior management. Our Managing Director, KBH is responsible for the overall strategic direction of our Group. He is supported by our Executive Director and key senior management team comprising Kang Yi Ki (Executive Director), Lau Ken Wah (Chief Operating Officer), Sim Kay Wah (Chief Financial Officer) and Larry Lim Eng Sooi (Head of Corporate Governance, Affairs and Compliance). Please refer to Section 5 of this Prospectus for further details on the profiles of our Director and key senior management.

Our day-to-day business operations and the successful implementation of our business strategies may be adversely affected if we lose the services of one or more of the Directors or key senior management and are unable to engage a suitable replacement promptly.

8.1.5 We are dependent on foreign workers to undertake our manufacturing activities

Most of our foreign workers are employed mainly for our manufacturing operations. We may experience a shortage of production workers from time to time due to several factors which affect our supply of both domestic and foreign workers. Some of the factors affecting the hiring of domestic production workers include the metal working environment and conditions, salary and benefit package offered, and location of the operation.

The number of foreign workers we may hire and our ability to obtain or renew work permits for our foreign workers are subject to regulations and approvals from the Ministry of Home Affairs, as well as policies implemented by other regulatory authorities, such as MITI. On 23 July 2022, MITI announced that the obligation to comply with the condition for manufacturing licence holders to maintain a total full-time workforce of at least 80% Malaysians has been deferred to 31 December 2024. Although we have written to MIDA to seek waiver for such condition and have obtained such approval, there is no assurance that we will attract and retain sufficient local workers to meet any shortfall in foreign workers by that time. Failing to comply with this condition by and after 31 December 2024 may result in the suspension, withdrawal or termination of our manufacturing licenses.

8.1.6 Our business is subject to compliance with health, safety and environment (HSE) laws and regulations and any breaches may result in a suspension of our operations and/or subject to penalties

Our operations, including the manufacturing activities conducted at our manufacturing facilities in Penang, Selangor and Kelantan, are subject to compliance with the relevant HSE laws and regulations. Our manufacturing facilities deal with machineries that are involved in forming, welding and cutting, while our trading and warehousing activities involve lifting machineries such as cranes and forklifts. Many of these operations are subject to various HSE laws and regulations. These HSE laws and regulations are concerned with, among others, the occupational health and safety of our employees and contract workers as they perform their jobs as well as the effect of their works that we carry out have on the surrounding environment.

Accidents at our operational facilities that result in injury or harm to our employees and contract workers, as well as failure to comply with the relevant HSE laws and regulations, may result in suspension or restrictions placed on our work as well as possibly incurring penalties. These could disrupt our day-to-day trading, manufacturing and/or processing activities that take place at our operational facilities, and may result in delays or failure to fulfil customer orders. Accidents and/or failure to comply with the relevant HSE laws could result in administrative or legal actions taken against us by affected employees or contract workers, customers and/or regulatory authorities.

During the Period Under Review and up to the LPD, there were no material injuries or harm that affected our employees or contract workers or breach or failure to comply with the relevant HSE laws and regulations that resulted in any of the negative consequences listed above. Nevertheless, there can be no assurance that any injury or harm to our employees or contract workers, or breach or failure to comply with relevant HSE laws and regulations, will not occur in the future.

8.1.7 We may not be able to successfully implement our business strategies to grow our business

We intend to expand our operations in accordance with our business strategies and plans set out in Section 6.6 of this Prospectus. However, there is no assurance that we will be able to effectively implement our plans. Even if we are able to successfully implement our plans, there is no assurance that the results of such plans will lead to the outcomes and results we expect to achieve.

The successful implementation of our business strategies and plans are based on our current circumstances and assumptions that certain circumstances will or will not occur in the future. The execution of our business strategies is also dependent on a number of factors such as our ability to obtain timely and sufficient funding, our ability to execute our business strategies well and to retain and recruit competent management and employees. There are also factors beyond our control that may affect the successful implementation of our business strategies such as the general market conditions, or changes in the Malaysian government's policy or regulatory regime where our business operates.

Further, the implementation of our plans will require capital expenditure, and consequently we will require additional financing to fund our plans in the event the allocated IPO proceeds or internally generated funds are insufficient. There is no assurance that these plans will pay off and increase our revenue to a level which will be commensurate with the costs of our investment. Any failure or delay in the implementation of any or all of our business strategies and plans may have a negative effect on our business, operations and financial performance of our Group.

8.1.8 Our insurance coverage may not cover all losses or liabilities that may arise from our business operations

We maintain insurance policies that apply to our business operations including factories, machinery and equipment, and inventories that we operate to protect against various losses and liabilities. Some of the main insurance coverage we have include fire, flood, burglary, product liability, public liability, money, fidelity guarantee, goods-in-transit, all risks, group personal accident insurance, group health plan insurance, consequential losses and vehicle. As at the LPD, the total sum insured for our insurance policies that apply to our business operations including factories, machinery and equipment, and inventories is RM238.3 million.

We may be exposed to liabilities and losses resulting from among others, environmental factors, operational hazards and occupational risks where we may not have adequate insurance or there may not be sufficient insurance to cover all the risks associated with our business operations. Any losses or damage over our insured limits or in areas where we are not insured or fully insured may adversely affect our financial conditions.

8.1.9 We are exposed to unexpected disruptions in our business operations caused by factors such as machinery and equipment failures, accidents, and natural disasters

Our business operations are dependent on the smooth and efficient running of our manufacturing facilities. We rely on a wide range of machinery and equipment for our production operations. These machinery and equipment may, from time to time, be out of service due to unanticipated failures or damages sustained during our production operations. Please refer to Section 6.5.3.1 of this Prospectus for our major machinery and equipment.

Further, our factories and warehouses are subject to the occurrence of natural disasters such as floods as well as other accidental and operational risks, such as outbreak of fire, explosion, power shortage, sabotage, and civil commotion. These unexpected events may cause interruptions in or prolonged suspension of all or any part of our manufacturing activities which, in turn, may cause significant downtime to our production operations and losses and/or damage to our products, factories, warehouses, and offices. Accordingly, any interruption to or suspension of our operations will affect our manufacturing schedules and timely delivery of our products, which may result in cancellation of purchase orders. Consequently, this may adversely affect our business operations, financial performance, and industry reputation of our Group.

In February 2022, we experienced interruptions in industrial racking system finishing processing operations due to the breakdown of our automated powder coating line at our Penang 1571 Factory. The automated powder coating line was suspended for approximately 2 weeks and the delivery of confirmed purchase orders were deferred to a later date. The total deferred purchase orders were RM0.45 million, and these deferred purchase orders were subsequently fulfilled in the following month. Please refer to Section 6.5.15 of this Prospectus for further details on the interruptions in industrial racking system finishing processing operations.

Save for the temporary disruptions to our operations arising from the COVID-19 and interruptions in industrial racking systems finishing processing operations, our Group did not encounter any other material interruption to our business and operations during the Period Under Review. However, there can be no assurance that any unanticipated failures or damages of our machinery and equipment, accidents, and natural disasters will not happen in the future, or that the occurrence of such incidents will not cause any disruptions to our manufacturing activities and adversely affect our business operations and financial performance.

8.1.10 Our business and financial performance may be affected as we may have to write-down the value of inventory arising from slow-moving inventory

The nature of our business requires us to purchase and keep a certain level of stock of input materials to enable us to fulfil our customers' orders in a timely manner without having to place orders with suppliers as our input materials are mainly imported. In addition, we also manufacture stocks for our sheet metal and scaffolding products. We also serve a large pool of customers who are mainly hardware wholesalers and retailers where we do not have long term contracts.

Our inventories amounted to RM43.8 million, RM95.0 million and RM86.2 million as at the FYE 2020, FYE 2021 and FYE 2022 respectively, and our inventory turnover periods were 159 days, 149 days and 184 days as at the FYE 2020, FYE 2021 and FYE 2022 respectively. Input materials comprise of 38.6%, 50.2% and 57.3% of our inventories for FYE 2020, FYE 2021 and FYE 2022 respectively.

As the value of our inventory is high, we are exposed to the risks of write-down or higher holding costs of inventory if our input materials remain unused or our finished goods remain unsold for an extended time. This could adversely affect our financial performance and working capital arising from write-down and higher inventory holding costs. During the Period Under Review and up to LPD, our Group do not have any inventories written down.

Although we have recorded a positive operating cash flow for the Period Under Review and put in place measures to minimise write-downs and slow-moving stocks there can be no assurance that this would not adversely affect our financial performance in the future.

8.1.11 We are exposed to credit risk from our customers

We are exposed to credit risks from customers whom we have granted credit period. During the Period Under Review, the normal credit term granted ranges from 30 days to 90 days. Our trade receivables turnover period was 104 days, 55 days and 55 days for FYE 2020, FYE 2021 and FYE 2022 respectively. In the event of any downturn in our customer's business performance, this may adversely affect our customer's ability to pay us for the goods we have supplied, which in turn may adversely affect our cash flow and profitability. If customers fail to pay us within the stipulated credit period or fail to pay us at all, we could be required to make an allowance for any impairment losses to our trade receivables or write off our bad debts, either of which would adversely affect our business performance.

The impairment loss on trade receivables was 1.8% (RM0.6 million), 7.6% (RM2.9 million) and 2.7% (RM1.1 million) of our total trade receivables for the FYE 2020, FYE 2021 and FYE 2022 respectively. The impairment loss on trade receivables is based on the estimated credit loss (ECL) computation under MFRS 9 and the amount of ECL was accessed at each reporting period to reflect changes in credit risks since the initial recognition of trade receivables. In addition, there were bad debts written off accounted for 0.5% (RM27,000), 6.1% (RM1.8 million) and 0.4% (RM0.1 million) of our total PBT for the FYE 2020, FYE 2021 and FYE 2022 respectively. There can be no assurance that the additional allowance for impairment losses to our trade receivables and bad debts written off will not increase in the future.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 A sustained high steel price may affect the demand for our steel products

We face the risk of sustained high steel prices that may result in higher prices for our manufactured steel products and this may affect the demand of our products.

Our main input materials are steel based materials including hot rolled steel coils and coated cold-rolled steel coils as well as other steel products such as steel pipes, bars and plates. The purchases of steel based materials accounted for 92.3%, 94.5% and 96.9% of our total purchases of input materials and services for FYE 2020, FYE 2021 and FYE 2022 respectively.

As a commodity, steel in its primary and processed forms are globally traded and are subject to price fluctuations. In 2021, global hot-rolled and cold-rolled coil prices have been trending upwards, reaching USD1,481/tonne and USD1,658/tonne respectively in September 2021 before tapering in the fourth quarter of 2021. The increase in 2021 was mainly due to demand resulting from the global economic recovery and increasing raw material prices. In 2022, global hot-rolled and cold-rolled coil prices increased to USD1,345/tonne and USD1,546/tonne respectively in April 2022 amid supply concerns resulting from geopolitical tensions and subsequently declined to USD746/tonne and USD871/tonne respectively in August 2023 mainly due to subdued global demand and high energy costs *(Source: IMR Report).* All operators who are dealing with steel materials would be equally affected by the price fluctuations as steel is a commodity and is subjected to global price fluctuations which affects all operators. As such, a sustained high steel prices will affect the demand of manufactured steel products for all operators.

There is a risk that the sustained high prices of steel materials may affect the demand for our steel products and result in lower orders from our customers which could in turn affect our financial performance including revenue, GP and GP margin.

8.2.2 We are subject to economic, social, political, regulatory and pandemic risks

Any adverse changes in the political, social, economic and regulatory conditions in Malaysia could have a negative impact on our business operations and financial performance. We are also susceptible to the risk of local epidemics or pandemics where we may face business interruptions including, among others, temporary suspension of our business operations. Please refer to Section 6.5.15 of this Prospectus for further details on the impact of the COVID-19.

Changes in the political, social, economic, fiscal and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, and conditions governing licensing, registrations and permits to conduct business. Similarly, any local, regional or global economic downturn would also affect overall business conditions, consumer confidence, as well as investments, which would subsequently affect the demand for our products. As such, there can be no assurance that any adverse political, social, economic, fiscal and regulatory developments or outbreak of diseases which are beyond our control, will not materially affect our business operations and financial performance.

8.2.3 We are subject to competition from other operators in the industry

There are few barriers to entry for the manufacture of roofing sheets and trusses, industrial racking systems and welded pipes as well as the sales and rental of scaffoldings as there are no onerous licences, regulations or restrictions governing the entry of new players. Additionally, there are no material impediments to purchasing, selling, importing (some input materials may be subjected to tariffs) or exporting these steel products. However, some of the barriers to entry include compliance with building material standards from the CIDB and/or various standards for selected steel products such as roof trusses, scaffolding and structural welded pipes, the capital investment required in purchasing manufacturing machinery and equipment, and sufficient working capital to purchase input materials and stocking work-in-progress and finished products. *(Source: IMR Report)*

We face competition from other operators in the manufacture of roofing sheets and trusses, industrial racking systems and welded pipes as well as the sales and rental of scaffoldings. Operators in our industry compete based on factors such as, among others, pricing, quality and other requirements and promptness in fulfilling orders. Competition may result in, among other adverse effects, reduction in our product pricing, revenue and/or profit margins, loss of existing customers and/or failure to secure new customers, which may adversely affect our financial performance and growth prospects.

[The rest of this page is intentionally left blank]

8.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

8.3.1 There is no prior market for our Shares

Prior to our Listing, there has been no prior market for our Shares. Our Listing does not guarantee that an active market for the trading of our Shares will develop, or if developed, that such market can be sustained. There is also no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There also can be no assurance that the IPO Price which has been determined after taking into consideration the factors as set out in Section 4.4 of this Prospectus will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

8.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

(a) The selected investors failed to subscribe for their portion of our IPO Shares;

(b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein;

(c) The revocation of the approvals from the relevant authorities prior to our Listing and/or admission for whatever reason; or

(d) We are unable to meet the public shareholding spread requirements of the Listing Requirements, whereby at least 25.0% of our total number of Shares for which Listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

In this respect, we will exercise our best endeavours to comply with the various regulatory requirements, including, amongst others the public shareholding spread requirement in paragraph (d) above for our successful Listing. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Listing.

Upon the occurrence of any of these events, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of any application for our Shares within 14 days, failing which the provisions of Sections 243(2) 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 until full refund is made.

In the event our Listing is aborted and/or terminated, and our Shares have been allotted to the shareholders, a return of monies to all holders of our Shares can only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

8.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

8.3.4 There is no assurance of payment of dividends to our shareholders

It is the intention of our Board to recommend and distribute a dividend of the profit attributable to our shareholders. However, our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded, excess of funds not required to be retained for working capital for our business, capital expenditure and other investment plans.

In addition, as we are a holding company, our Company's income and therefore our ability to pay dividends are dependent upon the dividends we receive from our subsidiaries, present or future. The payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected.

Please refer to Section 11.7 of this Prospectus for further information on our dividend policy.

[The rest of this page is intentionally left blank]

8.4 OTHER RISKS

8.4.1 Our Promoter will be able to exert significant influence over our Company

Upon completion of our IPO, our Promoter will hold 668,910,000 Shares, representing approximately 65.2% of our enlarged share capital. Because of the size of his shareholdings, our Promoter will be able to control the business direction and management of our Group and as such there can be no assurance that the interests of our Promoter will be aligned with those of our other shareholders. The interests of our Promoter may differ from the interests of our other shareholders and our Promoter may be able to exercise significant influence over the vote of our Shares.

Our Promoter could also have significant influence in determining the outcome of any corporate transaction or other matters submitted to our shareholders for approval. This includes the election of Directors, dividend policy, approval of business ventures and having voting control over our Group. As such, our Promoter will have significant influence on the outcome of any ordinary resolution (which requires a simple majority of 50% plus 1 voting share) to be tabled at any general meeting, unless he is required to abstain from voting by law and/or as required by the relevant authorities.

8.4.2 Our future fund-raising exercise may result in dilution of shareholdings

Our capital requirements are dependent on, amongst others, our business, the availability of our resources in attracting, maintaining and enlarging our customer base and the need to maintain and expand our product offerings. Thus, we may need additional capital expenditure for future expansions and/or investments. Subject to Section 85 of the Act and the Constitution, an issue of new Shares or other securities to raise funds will dilute shareholders' equity interest and may, in case of a rights issue, require additional investment by shareholders.

8.4.3 Forward-looking/prospective statements in this Prospectus may not be achievable

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable. Whether such statements would ultimately prove to be accurate depends upon a variety of factors that may affect our businesses and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements. Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will prove to be correct in the future. Any deviation from the expectations may have a material adverse effect on our business and financial performance.

The above is not an exhaustive list of challenges we are currently facing or that may develop in the future. Additional risks whether known or unknown, may in the future have a material adverse effect on us and/or our Shares.