

9. 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.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group

Our supplies including beans and pulses, starch products, grain products, shallots, onions, cooking oil and packing materials are sourced from local and/or overseas suppliers. Our foreign purchases from overseas suppliers are denominated in USD. As at LPD, our supplies of plant-based agricultural food ingredients for our sourcing and distribution business segment are sourced from 58 suppliers, comprising 29 local suppliers and 29 overseas suppliers. On the other hand, our supplies of ingredients and raw materials for the production of food additives and fried shallots are sourced from 28 suppliers, comprising 24 local suppliers and 4 overseas suppliers. Amongst the 58 suppliers for our sourcing and distribution segment and the 28 suppliers for our production segment, there are 13 common suppliers whereby supplies that we source from these 13 common suppliers are food ingredients that are used in both business segments.

The breakdown of our purchases by currency for FYE 2020 to 2022 are as follows:

Currency	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
RM	29,068	38.8	20,685	25.5	18,275	18.0
USD	45,777	61.2	60,557	74.5	83,391	82.0
Total purchases	74,845	100.0	81,242	100.0	101,666	100.0

For FYE 2020 to 2022, majority of our purchases are denominated in USD which accounted for 61.2%, 74.5% and 82.0% to our Group's total purchases respectively. However, most of our revenue is generated from sales to local customers which are transacted in RM. As such, any substantial depreciation of the RM against the USD will lead to higher costs of supplies in RM. In such circumstances, we will attempt to pass the additional costs arising from the depreciation of RM against the USD to our customers. Our financial performance may be adversely affected should we fail to pass on the increase in costs to our customers effectively in a timely manner.

Further, we do not have a formal policy with respect to our foreign exchange transactions and have not undertaken any hedging activities as at LPD. As such, we are affected by the fluctuations in any foreign currencies that we transact with. For FYE 2020 to 2022, our financial performance was not materially impacted by the foreign exchange fluctuations as we were generally able to pass on the increase in costs to our customers, save for the first half of FYE 2020 whereby USD fluctuated significantly and we were not able to fully pass on the increase in costs to our customers. Nevertheless, such event did not materially impact our financial performance in overall as our Group recorded profits for FYE 2020. Please refer to Section 12.11 for further details on our gains and losses from foreign exchange fluctuation for FYE 2020 to 2022. Notwithstanding that, there can be no assurance that we will be able to pass on any increase in costs arising from foreign exchange fluctuations to our customers timely in the future, whereby failure in doing so may lead to negative impact on our financial performance.

9. RISK FACTORS (Cont'd)

9.1.2 We are dependent on our Managing Director and key senior management for continued success and growth of our business

The future growth and continuing success of our Group largely depend on the continuous contribution and involvement of our Managing Director and key senior management. We are dependent on the leadership of our Managing Director, Oon Boon Khong, who has 27 years of experience in the food ingredients industry, to spearhead the strategic direction and business development of our Group. In addition, we are dependent on our key senior management, namely Lim Swee Chuan, Wong Kam Tong, Tan Hong Sheng and Cheng Boon Kai for their expertise in their respective roles which are essential to support the business operations and growth of our Group. With their experience in the food ingredients industry and/or their respective fields as well as in managing our business, they play a pivotal role in developing and implementing business strategies and policies to drive the growth of our Group. Please refer to Sections 5.1.2 and 5.3.3 for the profiles of our Managing Director and key senior management.

We recognise that the continuing success and growth of our Group depend significantly on the capabilities and efforts of our Managing Director and key senior management. Therefore, the loss of any of our Managing Director and key senior management personnel simultaneously and/or within a short period of time may unfavourably impact our Group's operations and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our Managing Director and key senior management personnel in a timely manner, our business operations, financial performance and prospects may be adversely affected.

9.1.3 We may be affected by negative perception and publicity on our brand names and reputation

As at LPD, we have 10 plant-based agricultural food ingredients SKUs that are packaged and sold in consumer packs labelled with our house brands, of which 8 SKUs have indication that the products are packed by ACS and 2 SKUs have indication that ACS is the distributor. Further, save for fried shallots that we produced as a contract manufacturer for third party brand owners where the products are packed in packaging provided by our customers that indicates Bapas as the manufacturer but without the brand logo of 'CAP POKOK', all 12 SKUs of our fried shallots are sold and labelled with our house brand with indication of Bapas as the manufacturer and ACS as the distributor. As these products are either packaged in our house brands or indicate us as distributor or manufacturer, and sold to customers such as wholesalers and retailers which eventually sell our products to the general public, our business performance and growth would be affected by any negative perception of our brand name and reputation, which are sensitive to public opinion. We may become the target of malicious sabotage or rumours intended to damage our reputation. In this respect, as an example, we may experience harmful substances being maliciously introduced into our products, or may be subject to market rumours based on unfounded claims of harm resulting from consuming our products. These incidences of sabotage or rumours may have an adverse impact on our brand name, reputation and public perception, leading to loss of consumer trust. Such adverse events may also lead to reduced purchases from food manufacturers, commercial farmers and F&B businesses which use our products in food manufacturing and preparation as well as crop growing, all of which could in turn adversely affect our sales and financial performance.

For the past 10 years and up to LPD, we have not experienced any incidents of malicious sabotage or rumours which led to an adverse impact on our brand names and reputation. Moving forward, notwithstanding our long-standing market reputation and our compliance to food safety standards, there can be no assurance that any negative perception or publicity on our brand names and reputation would not have a material adverse impact on our business and financial performance.

9. RISK FACTORS (Cont'd)

9.1.4 We may be affected by the presence of counterfeit products or product imitation that are sold under our brands

We may be affected by counterfeit products that are sold under our brands, where such counterfeit products may have similar packaging design as our products but not produced or supplied by us. These counterfeit products may be sold at lower prices than our products which are sold at competitive prices to other similar products in the market, which may affect our sales or even create market confusion amongst consumers. Further, these counterfeit products may be from sources that do not comply with the necessary food safety standards and hence may not meet the food safety requirements. In the event that consumers experience food poisoning or other illnesses after consuming the counterfeit products and subsequently claim that the counterfeit products are products of our Group, it may create material negative impact to our reputation and may eventually affect our sales.

Further, we are exposed to the risk of product imitation arising from the leakage of our in-house developed food additives formulations. Notwithstanding the implementation of practices to safeguard our food additives formulations, there can be no assurance that our food additives formulations will not be leaked to unauthorised parties. In the occurrence of such event, these unauthorised parties may use our food additives formulations to produce and sell food additives under their own brand names, which could, in turn, affect our sales.

While our Group has not been affected by adverse impacts arising from counterfeit products or product imitation for the past 10 years and up to LPD, there can be no assurance that we will not be affected by any counterfeit products or product imitation in the future.

9.1.5 We may not be able to secure funding, especially on terms acceptable to us, to meet our working capital requirement

Our ability to obtain external financing is subject to various uncertainties, including our future results of operations, financial condition and cash flows, the performance of the Malaysian economies, the cost of financing and the condition of financial markets, and the continuing willingness of banks to provide new loans. There is no assurance that any required financing, either on a short-term or long-term basis, will be made available to us on terms satisfactory to us or at all.

If adequate funding is not available when needed, or is available only on unfavourable terms, meeting our working capital needs or otherwise taking advantage of business opportunities or responding to competitive pressures may become challenging, which could affect our ability to grow in the food ingredients industry.

The following table sets out the maturity profile of our borrowings and interest coverage ratio for FYE 2020 to 2022:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Bank borrowings			
Within the next 12 months	15,221	29,129	18,076
After the next 12 months	4,944	4,739	6,092
Total	20,165	24,868	24,168
Interest coverage ratio	5.9	7.3	9.2

Based on the table above, a substantial portion of our bank borrowings are due within the next 12 months in each financial year. As such, there is a risk of simultaneous demand for immediate repayment on our outstanding short term credit facilities, and tightening of loan facilities due to deteriorating market conditions arising from economic, financial, political and

9. RISK FACTORS (Cont'd)

other reasons. A large and simultaneous repayment of short term facilities would have a material adverse effect on our cash flows, working capital and in turn, will have a material effect on our financial performance. Our Board has, as set out in Section 12.3.1, taken the view that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus. Notwithstanding its view, there can be no assurance that we will be able to secure any further required funding in the future when needed, and on terms satisfactory to us.

9.1.6 We are dependent on our in-house R&D team

We started our manufacturing of food additives segment in FYE 2021 and recorded a substantial growth of more than 5 times from RM1.2 million to RM8.0 million in FYE 2022. Moving forward, we expect this segment to further contribute to our growth. This segment is dependent on our in-house R&D team comprising 4 personnel as at LPD. Our R&D team is mainly involved in carrying out R&D activities for the formulation of our food additives. Their expertise in food technology and in-depth industry knowledge allow us to add values to our services, which is one of the key factors driving our business growth. We strive to continuously improve our existing food additive formulations and to develop new food additive formulations to expand our product offerings. Further, our in-house R&D team also conducts research and analysis on our existing starch products whereby the findings would allow our sales personnel to gain better understanding on our starch products, in turn assisting them to provide sourcing recommendations to our customers.

The loss of our R&D team within a short period of time and without any suitable and timely replacements, or our inability to attract or retain qualified and competent R&D personnel may adversely affect our ability to compete and grow in the food ingredients industry. Although we have not encountered any shortage of R&D personnel that caused major disruptions to our operations for FYE 2020 to 2022 and up to LPD, there can be no assurance that we will be able to recruit, develop and retain adequate number of qualified R&D personnel to support the future growth and expansion of our Group.

9.1.7 We may face liabilities arising from product misstatement or mislabelling

Due to the nature of our business, we take due care and consideration in the labelling of content and ingredients of our products to provide correct and accurate information to our customers and consumers. Notwithstanding this, there is a risk of product mislabelling which may result in the consumption of ingredients that consumers are allergic to, or which are against their religions and/or other beliefs. This would adversely impact our brand name as well as reputation and public perception of our Group. We may also be forced to recall the products, be subject to administrative actions and/or penalties or fines by the relevant authorities, be forced to compensate affected consumers, and/or be subject to legal actions resulting from product liability claims. Any of these actions may have an adverse effect on the financial performance and prospects of our Group.

While we have not encountered such events for the past 10 years and up to LPD, there can be no assurance that there will be no occurrence of misstatement or mislabelling, and that misstatement or mislabelling will not have a material adverse impact on our brand name, reputation, or ultimately, our business and financial performance in the future.

9. RISK FACTORS (Cont'd)

9.1.8 Our business is exposed to unexpected interruptions or delays caused by fire, natural disasters, equipment failures, force majeure events and outbreak of infectious diseases, which may be beyond our control and may lead to interruptions to our operations

Our Group relies on our business premises to store our inventory which support our sourcing and distribution business segment. Hence, the occurrence of fires or natural disasters such as floods or storms at our business premises may cause damage to our inventory and our business premises, which may lead to delays in fulfilling customer orders and additional costs incurred to refurbish our business premises. Further, we also rely on machinery and equipment to carry out the production of food additives and fried shallots. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. In the event of the abovementioned unexpected interruptions, our day-to-day businesses as well as our financial performance may be adversely impacted.

In addition, any occurrence of force majeure events such as war, strikes and riots may cause disruptions to our sourcing and distribution activities. The occurrence of these unexpected events may affect our ability to meet the agreed delivery schedule with our customers.

For the past 10 years and up to LPD, we have not experienced any major interruptions to our business activities caused by fires, natural disasters, unexpected equipment failures, and force majeure events that have adversely affected our business activities and/or financial performance. Notwithstanding that, there is no assurance that we will not encounter such events and our business activities and/or financial performance will not be adversely affected should such events occur in the future.

Moreover, any large-scale outbreak of infectious diseases such as COVID-19 may cause disruptions to our sourcing activities due to global supply chain disruptions as a result of interruptions/halt of business and economic activities across many countries. Further, our distribution activities may also be affected due to possible imposition of movement restrictions by the Government as a containment measure to curb the spread of the virus. This may result in adverse impact on our financial performance, as our business activities may be temporarily suspended.

In the event that we have to temporarily halt our business activities due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time. As such, there is no assurance that we will be able to record profits and have sufficient funds for our operations to recover from the damages caused by such events.

9.1.9 The absence of long-term contracts with our customers and suppliers may result in fluctuations of our Group's financial performance

We have not entered into any long-term contracts with our customers as our sales are derived based on purchase orders whereby our customers purchase our products on as-needed basis. The absence of long-term contracts may result in fluctuations of our Group's sales and result in uncertainties over our overall financial performance. It poses risks to our Group as any business decision made by our customers that results in reduction or cessation of purchases from our Group may affect our financial performance. Should we fail to retain our existing customers and are unable to secure new customers in a timely manner to replace customers who reduce purchases or cease to purchase from our Group, our financial performance and growth may be adversely impacted. Further, our Group intends to utilise proceeds from our Public Issue to set up a new regional storage facility in Klang, Selangor, as well as to increase our inventory levels. As we do not enter into any long-term contracts with our customers, our future plans and business strategies of setting up a new regional storage facility and increasing our inventory levels may not yield expected results should we fail to increase our sales volume to match with our increased inventory levels by securing additional sales from existing customers and securing sales from new customers.

9. RISK FACTORS (Cont'd)

In addition, we have also not entered into any long-term contracts with our suppliers to secure long-term supplies from them. As such, there can be no assurance that we will be able to consistently source supplies at the volume required and at competitive prices from the same suppliers. In the event we are unable to source certain supplies from our existing suppliers, there is no assurance that we are able to replace them with other suppliers who offer the same supplies that meet our quality and quantity requirements in favourable terms and in a timely manner. Should we fail to do so, our financial performance and growth may be adversely affected.

9.1.10 We may not be able to successfully implement our future plans and strategies

We plan to expand our Group's business through our future plans and business strategies as follows:

- (a) increase our storage capacity by setting up a new regional storage facility in Klang, Selangor;
- (b) continue expanding our sourcing and distribution business by increasing our inventory levels; and
- (c) expand our team to support our business growth.

Please refer to Section 7.17 for further details of our business strategies.

The implementation of our business strategies is subject to additional expenditures including operational expenditures and other working capital requirements, which will increase our Group's overall operational cost, including overhead costs and cost of sales. This may result in an adverse impact to our profit margin if we are unable to gain sufficient revenue following the execution of our business strategies.

Thus, while our Managing Director and key senior management have years of experience in our business operations, there can be no assurance that the effort and expenditures spent on the execution of our business strategies will yield expected results in expanding our business. We are also not able to guarantee the successful implementation of our business strategies, nor can we assure that we will be able to anticipate the business and operational risks arising from our business strategies. Such failure may lead to adverse effect on our business operations and financial performance.

9.1.11 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. As at LPD, our Group has taken up several insurance policies which include fire, burglary, product liability, marine, goods in transit, public liability, employers' liability, money, fidelity guarantee, plate glass and group personal accident.

However, in the event of claims, our insurance may not be adequate to cover all losses or liabilities that might incur in our operations. If we were to incur a significant liability for which we were not fully insured, it may result in incurrence of additional cost that may adversely affect our business operations and financial performance. While we have not encountered such events for FYE 2020 to 2022 and up to LPD, there can be no assurance that any losses and liabilities arising from unfavourable events in the future would be fully insured by our insurance policies and would not lead to a material adverse impact on our financial performance in the future. Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates.

9. RISK FACTORS (Cont'd)**9.1.12 We are exposed to credit risk and default payment by customers**

We generally grant our customers a credit period of 7 to 120 days from the date of invoice. In the event of not receiving payment within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, it may also lead to impairment losses on trade receivables or writing-off of trade receivables as bad debts, which may adversely affect our financial performance.

Our impairment losses on trade receivables for FYE 2020 to 2022 were as follows:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Impairment loss on trade receivables	-	67	10

Please refer to Section 12.8.1 for further details on our trade receivables and impairment losses on trade receivables.

9.1.13 We may not be able to maintain our PAT margin and profitability

In FYE 2020 to 2022, our PAT margin was recorded at 3.4%, 4.2% and 5.8% respectively. Notwithstanding that our PAT margin was at an upward trend from FYE 2020 to 2022, there can be no assurance that we will be able to maintain such trend in the future, nor maintain our PAT margin within the similar range.

Our ability to maintain our profitability is primarily dependent on various factors, including fluctuations in foreign exchange rates and purchase prices of our supplies that may affect our cost of sales (as detailed in Sections 9.1.1 and 9.2.1 respectively), as well as our ability to continuously secure sales from customers in view of the absence of long-term contracts with our customers (as detailed in Section 9.1.9). Failures in mitigating the risks arising from the fluctuations in foreign exchange rates and purchase prices of our supplies, and/or in continuously securing sales from customers, are expected to negatively impact our profitability.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 We may be subject to price fluctuations for the purchases of supplies**

Our Group's purchases primarily comprise beans and pulses, starch products and grain products. For FYE 2020 to 2022, beans and pulses, starch products and grain products contributed 95.2%, 95.5% and 95.5% collectively to our Group's total purchases respectively. Please refer to Section 7.8 for further details on our Group's purchases.

The prices of our supplies are subject to price fluctuations due to various factors such as global supply and demand conditions, global and regional economic conditions, as well as uncertainties arising from geopolitical conflicts. As such, should we fail to pass on the increase in costs to our customers, any material increase in the prices of our supplies may result in substantial increase in our cost of sales, thus affecting our financial performance.

For FYE 2020 to 2022 and up to LPD, while we have encountered fluctuations in the prices of our supplies, we were able to pass on such fluctuations to our customers. However, there is no assurance that we will be able to pass on future increases in cost to our customers.

9. RISK FACTORS (Cont'd)

9.2.2 We are exposed to risk arising from food contamination

We are exposed to the risk of food contamination due to numerous processes involved in the production of food additives and fried shallots. The food ingredients used in our production include starches, phosphate, carbonate, salt, shallots, cooking oil, amongst others. These ingredients may be contaminated if not properly handled, stored and packed.

Further, our plant-based agricultural products are stored in our Bukit Minyak Premises prior to delivery to customers. Upon customers' requests, we may also carry out repacking of our plant-based agricultural products. As such, any improper storing or mishandling of these products may expose our Group to food contamination.

In addition, our operations require manual labour in several processes such as repacking and palletising of our plant-based agricultural products, production of food additives including weighing and handling/transfer of ingredients and mixtures between machines, as well as production of fried shallots including rinsing and frying of shallots/onions and handling/transfer of shallots/onions between machines. Therefore, our exposure to the risk of food contamination is subject to our employees' awareness of good hygiene and strict adoption of our food safety management system. Whilst we emphasise and educate our employees on our food safety standards, there is no assurance that we will be able to guarantee the highest level of food safety standards are practised at all times and that we will not be exposed to the risks of food contamination in the future.

Any contamination in our products may result in it being unsafe for consumption and will have an adverse impact on our reputation. This may also result in authorities inspecting our premises, monetary fine and/or temporary closure of our operations for cleaning and/or sanitation, any of which may lead to interruptions to our business operations, which may materially and adversely affect our results of operations and financial performance. While we have been accredited as compliant with various food safety standards such as ISO 9001:2015 Quality Management System, MeSTI, MS 1480:2019 HACCP System, and GMP and have not encountered any food contamination issues for the past 10 years and up to LPD, there is no assurance that there will not be occurrence of food contamination in our products moving forward.

9.2.3 We are dependent on consistent and sufficient crop yield

The food ingredients industry, particularly the plant-based agricultural products, depends heavily on consistent and sufficient supply of crops to produce essential food ingredients. The annual yield of mature crops does not remain constant and varies, arising from external factors such as soil fertility, availability of water, climate as well as presence of pest or diseases. In the event that incidents such as adverse weather conditions (e.g. flood, cyclone and drought), pest infestations or disease outbreak were to occur, this will adversely impact crop productivity, resulting in scarcity, price volatility and supply disruptions of food ingredients. Subsequently, this may pose further challenges for food ingredients industry players especially farmers in meeting the demand and maintaining price stability for their products which will impact the growth of the food ingredients industry.

Moreover, variations in crop yield can impact product quality and consistency, thus posing significant challenge to ensure conformity across batches and fulfil the standards and requirements by customers and the relevant regulatory authorities. In order to mitigate such challenge, food ingredients industry players must place emphasis on implementing sustainable agricultural practices, exploring diverse sourcing options as well as fostering resilient supply chains to navigate effects arising from unpredictable crop yield.

For FYE 2020 to 2022 and up to LPD, while we have not encountered any inconsistency in crop supplies, there is no assurance that we will not encounter any unfavourable effects arising from the crop yield in the industry.

9. RISK FACTORS (Cont'd)

9.2.4 We are subject to licences, permits and requirements governing the F&B industry

Our business operations are subject to the licences, permits and requirements governing the F&B industry, which relate to, amongst others, food safety, handling and storage, hygiene standards, labelling of packaging and other requirements imposed by authorities in Malaysia. In this regard, we have obtained relevant MeSTI certifications issued by MOH and manufacturing licences issued by MITI. In addition to these requisite licences and certifications, we have also obtained the ISO 9001:2015 Quality Management System, MS 1480:2019 HACCP System, and GMP as testament to our quality assurance standards.

As the Halal market is one of our targeted consumer groups, we are also required to obtain and maintain a number of Halal certifications issued by JAKIM. As at LPD, we have registered our products with JAKIM to ensure they are certified Halal, save for products that are distributed under plain packaging and our house brand products that are used for crop growing (i.e. nutrient solutions and sprouting soybeans). Please refer to Section 6.7 for further details on our licences, permits and certifications.

If we are unable to continuously comply with all regulations or conditions of our licences, permits and certifications, such licences, permits and certifications may be suspended or revoked and this will negatively affect our business operations. There is also no assurance that the introduction of new laws or any changes to legislations or other future regulatory developments will not have a material adverse effect on our business.

9.2.5 We are exposed to risks relating to political, legal, regulatory and economic conditions in the countries in which we source our supplies from

Our plant-based agricultural food ingredients are sourced from 18 countries of origins, including amongst others, Canada, China, Thailand and USA. Our supplies of plant-based agricultural food ingredients may be affected by any adverse developments or uncertainties in political, legal, regulatory or economic conditions that are beyond our control in the countries where we source our supplies from. These risks include unfavourable changes in political conditions, economic conditions, interest rates, government policies and regulations, export restrictions, duties and tariffs, civil unrest, methods of taxation, inflation and foreign exchange controls.

Any changes in political situations and government policies as well as widespread and/or prolonged economic slowdowns in the countries we source from, may cause a decline in the supply of our Group's supplies, which may lead to delays in fulfilling our customers' orders if we are unable to source from alternative suppliers in other countries. This may in turn have a material adverse effect on our business and financial performance.

9.2.6 We face competition from other industry players

According to the IMR Report, the food ingredients industry in Malaysia is competitive and fragmented due to the large number of industry players including large private companies as well as small and medium enterprises that compete in the sourcing, distribution, production and/or manufacturing of various types of food ingredients. Further, the barriers to entry of the sourcing and distribution of food ingredients, which our Group is involved in, are generally low due to low capital expenditure required if new industry players start with sourcing and distributing a minimal range of food ingredients. Additionally, industry players are not required to set up any production or manufacturing lines, but just a storage space to store food ingredients, hence minimising the capital expenditure required to enter the industry.

9. RISK FACTORS (Cont'd)

Food ingredients industry players generally compete in terms of product range, pricing, quality of products and services, delivery timing, amongst others. Please refer to Section 8 for further details on the competitive landscape of the food ingredients industry in Malaysia.

Failure to remain competitive may adversely impact our Group's ability to sustain the sales secured from our customers at current or increased levels in the future, as well as to attract new customers. This may in turn cause adverse impact on our Group's financial performance.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 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 fail 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; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, 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.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9. RISK FACTORS (Cont'd)

9.3.3 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 performance. These factors may include variations in our financial performance, 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.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 67.1% of our enlarged share capital upon Listing. As a result, our Promoters will be able to effectively control the business direction and management of our Group and as such there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders. The interests of our Promoters may differ from the interests of our other shareholders and they may be able to exercise significant influence over the vote of our Shares. Our Promoters could also have significant influence in determining the outcome of any corporate transactions or other matters submitted to our shareholders for approval. This includes the election of Directors, approval of business ventures and having substantial voting control over our Group. As such, our Promoters will have a deciding vote on the outcome of any ordinary resolution (which requires a simple majority of 50% plus 1 voting share) to be tabled at general meeting, unless they are required to abstain from voting by law, relevant guidelines or regulations.

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