

9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND FUTURE PERFORMANCE, TOGETHER WITH INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are dependent on certain major customers

Our revenue is based on contracts secured from customers from time to time. We are dependent on certain major customers, namely Customer A Group, Customer B Group, Customer C Group, Customer D, Customer H Group and Customer J where each of these customers accounted for more than 10.00% of our total revenue for at least one of the Financial Periods Under Review as set out below:

Customer ⁽¹⁾	Length of relationship (years) ⁽²⁾	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Customer A Group	16	4,939	33.10	1,479	8.37	4,275	18.20	2,054	18.63
Customer B Group	9	3,775	25.30	7,886	44.62	9,350	39.81	2,993	27.14
Customer C Group	8	2,386	15.99	1,331	7.53	2,459	10.47	(3)_	(3)_
Customer D	3	1,028	6.89	1,918	10.85	(3)_	(3)_	(3)_	(3)_
Customer H Group	1	(3)_	(3)_	(3)_	(3)_	4,321	18.40	3,480	31.56
Customer J	12	(3)_	(3)_	(3)_	(3)_	(3)_	(3)_	1,262	11.44
Subtotal		12,128	81.28	12,614	71.37	20,405	86.88	9,789	88.77
Total revenue		14,923		17,675		23,485		11,028	

Notes:

(1) For further details on our customers, please refer to Section 7.14 of this Prospectus.

(2) The length of the relationship is as at FPE 2023.

(3) There was no revenue contribution from these major customers during the respective Financial Periods Under Review.

The revenue contribution from the above major customers collectively accounted for 81.28%, 71.37%, 86.88% and 88.77% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. As the above major customers collectively accounted for a significant portion of our total revenue, the loss of any one or a few of these major customers, if they are not replaced promptly either at comparable or higher contract values, could adversely affect our business operations and financial performance. We will continue to participate in competitive bidding to secure contracts from these customers. Moving forward, our dependency on these major customers will be based on our ability to secure contracts from these customers as well as other new and existing customers.

Our ability to continue securing new contracts from these major customers are dependent on several factors which include, amongst others, our ability to fulfil these customers' specifications and requirements, competitive pricing and timely delivery of our 2D animation production projects. There is no assurance that we would be able to continue to retain these customers, or that the value of their contracts will not vary significantly from year to year.

9. RISK FACTORS (CONT'D)

9.1.2 Our financial performance is dependent on our ability to continually secure new and sizeable projects/contracts to sustain and grow our business

The nature of our business is project-based and we do not have contracts that provide us with recurrent revenue. The financial performance of our Group is dependent on our ability to continually secure new and sizeable projects/contracts to sustain and/or grow our business. As 2D animation production projects are typically awarded based on competitive bidding mainly through open tenders and invitations to quote, we have to continue to bid or submit quotations for new projects.

As at the LPD, we have 8 on-going animation production projects with each of the contract value ranging between RM0.16 million to RM9.56 million. Furthermore, the contract period for our 8 on-going animation production projects ranges from 4 months up to 24 months. As at the LPD, our total unbilled order book amounted to RM23.44 million from these 8 on-going animation production projects which are expected to complete between FYE 2023 and FYE 2024. Further details on the order book are set out in Section 12.11 of this Prospectus.

In the event we are unable to continuously secure sufficient new and sizable projects, our order book will deplete over time. This may adversely affect our business sustainability and financial performance in the future. For further details of our on-going projects, please refer to Section 7.4.1.5 of this Prospectus.

For the Financial Periods Under Review, our customer base decreased from 23 individual customers (18 groups of customer) for FYE 2020 to 15 individual customers (9 groups of customer) in FYE 2022. Nevertheless, our revenue continued to increase at a CAGR of 25.38% between FYE 2020 and FYE 2022. In FPE 2023, we have 12 individual customers (8 groups of customers). For the Financial Periods Under Review, we have worked with over 28 customer groups and secured repeated engagements with 15 of our customer groups. While we will take proactive steps to seek for new project opportunities and to expand our customer base, there is no assurance that we will be able to continue to secure new and sizeable projects as well as maintain our revenue growth in the future.

9.1.3 Our business may be affected by the increasing popularity of free self-made live-action content or other free content broadcasted over social media platforms

As a 2D animation production service provider, our business may be affected by the performance of our customers' business in the entertainment industry which distribute content through conventional media such as television, pay-per-view and subscription-based streaming platforms such as Netflix, Amazon, Apple and Disney+.

Our customers' business may lose viewership arising from the increasing popularity of free self-made short live-action content or other free content broadcasted over various social media platforms such as YouTube, TikTok, Instagram, Twitter and Facebook. If these competing contents grow in popularity at the expense of 2D animated content broadcasted over conventional media, it may adversely affect our customers' business and subsequently the demand for our services.

As we have no control over the prospects and business strategies of our customers, our financial performance may be adversely affected in the event they allocate lower financial resources for the development of 2D animation content as part of their business strategy, or if they lose market share to other competing content which is broadcasted over various social media platforms.

9. RISK FACTORS (CONT'D)

9.1.4 Our business may be affected if the demand for 3D animation content increases at the expense of 2D animation content

As a producer of 2D animated content, our business competes with 3D animated content. There is a risk that the increasing demand for 3D animated content may grow at the expense of 2D animated content which would adversely affect our business operations and financial conditions.

3D animated content provides viewers with a different viewing experience compared to 2D animated content arising from its more life-like depiction of characters, background and other elements in the content. Nevertheless, the cost of production of 3D animated content is currently substantially higher compared to 2D animated content. Nevertheless, innovations and improvements in technology may reduce the cost of 3D animation production which would increase the cost competitive pressure against 2D animation production. Such technological innovations include the use of generative AI tools to produce 3D animated content which may significantly reduce the overall cost of production for 3D animated content.

Our Group will continue to monitor the development of 3D technologies and evaluate on ways to integrate such technologies into the 2D animation production pipeline, in view that both 2D animation and 3D animation may share similar animation production techniques such as using 3D background and 3D models in complex scenes while maintaining 2D aesthetics. As such, with the evolution of technology, the methodologies employed in the 3D animation production may be effectively adopted for the creation of 2D animation, and vice versa.

We have been specialising in 2D animation production and it is evident that we are able to sustain our business by placing our focus on 2D animation production based on the historical financial performance of our Group. Hence, we remain committed to expanding our business horizon in the 2D animation industry but will not discount venturing into 3D animation in the future. Our Group will train our animation production personnel to expand on skill sets that include the knowledge of 3D animation production. This could make our Group more versatile in animation production that leverage on hybrid model of 2D and 3D animation. Nevertheless, there is no assurance that the demand for our 2D animation production services may not be adversely affected by the increase in popularity of 3D animated content.

9.1.5 We are dependent on skilled manpower supply of animation production personnel

The execution of 2D animation production projects relies on creative and skilled animation production personnel. Notwithstanding that we have our in-house animation production personnel, we also subcontract some of our 2D animation production work to individual freelancers to ensure timely project completion as and when necessary.

Our in-house animation production personnel usually hold degrees, diplomas or certificates in animation or similar fields. We also consider other factors while engaging individual freelancers such as experience, technical proficiency, creativity, attention to detail and ability to work collaboratively within a team. In addition, we employ individual freelancers with a background in 2D animation production to support our 2D animation production services.

During the Financial Periods Under Review and up to the LPD, we have engaged up to 65 individual freelancers. While we have access to a large pool of animation freelancers, there is no assurance that we will continue to have access to this talent pool. Any shortages in the supply of skilled manpower, either as potential employees or freelancers, or inability of our Group to train and retain current employees as well as the inability to replace the loss in headcounts, could adversely affect the quality standards and timely delivery of our 2D animation production projects, which in turn may adversely affect our reputation, business operations and financial performance.

9. RISK FACTORS (CONT'D)

9.1.6 We are subject to the risk of negative publicity and allegations including forced labour practices which may affect our reputation and business operation

The nature of our business in 2D animation production is labour-intensive and we are dependent on a large pool of personnel for our 2D animation production projects. For each of the years within the Financial Periods Under Review and up to the LPD, we have between 133 and 212 animation production personnel who are either employed as full-time employees or contract employees. In addition, during the Financial Periods Under Review and up to the LPD, we have engaged up to 65 individual freelancers to complement our full-time and contract employees.

In 2020, certain allegations of unethical labour practices were made against our Group, including allegation relating to employees' provident fund contribution, unrealistic quota system that unfairly assessed employee performance, unpaid wages, inadequate workforce allocation resulting in penalisation by customers and excessively long working hours. These allegations were publicly discussed on various public platforms. There is no corroborating evidence has emerged to support these allegations and our internal control reviewers have conducted thorough investigations to verify these allegations, and they came to the conclusion that there is no evidence to substantiate the validity of such allegations made for the period from 1 January 2020 to 31 December 2022. Notwithstanding these allegations are unsubstantiated, it may potentially generate negative publicity on our Group which could impact our customers' willingness to engage our services and may adversely affect our Group's business operations and financial conditions.

As at the LPD, we have not faced any legal proceedings, official disputes or actions related to allegations of unethical labour practices. However, there can be no assurance that we will not face allegations or disputes related to labour practices in the future which may harm our reputation, business operations and financial performance.

9.1.7 Our business and financial performance may be affected in the event of project delays, termination or suspension of contracts

Our 2D animation production projects are based on fixed contract value and agreed milestones as stipulated in the contracts. Although we closely monitor and manage our projects to adhere to the project schedule, there is a risk that we may not be able to complete our projects on time. The timely completion of our projects are dependent on many external factors including, amongst others, unanticipated delays during project planning, shortage of workers and global pandemics. In addition, our scope of work includes retakes to make corrections or adjustments to particular scenes based on customers' feedback which may potentially delay our project.

In the event of any delays in the timing of our deliverables, we may be subject to a deduction based on a percentage of the value of the corresponding production milestone as stipulated in our contracts or we may be subject to termination. If the delay is caused by the customer, we may negotiate with the customer to request for variation orders for the additional cost incurred as a result of the delay. For the Financial Periods Under Review and up to the LPD, we have not experienced any deduction on the contract value or termination of contract or any claims and/or penalties from customers due to delay in the delivery of our production works.

Nevertheless, there can be no assurance that we will be able to continue to complete projects on time and within budget in the future. In the event of we are unable to complete projects on time and within budget, our business operation and financial performance may be adversely affected.

We are also subject to the risk of early contract termination or suspension of projects resulting from, amongst others, changes in our customers' business strategy, requirements, financial circumstances or market conditions affecting our customers, or failure to meet our contractual obligations. There can be no assurance that our customers will not terminate or suspend our contracts as these factors may be beyond our control. For the Financial Periods Under Review and up to the LPD, 3 of our contracts were terminated or suspended by our customers as set out below:

9. RISK FACTORS (CONT'D)

- (i) in January 2020, we secured a contract from a customer in Mexico for 2D animation production service for an animated content of approximately 16 minutes. However, the customer only provided us with a portion of the pre-production package which only allowed us to provide our animation production service for 4 minutes of animated content. In FYE 2020, we recognised RM0.01 million revenue for the partial work completed of the said project.
- (ii) in May 2020, we secured a contract from a customer in USA for 2D animation production service for an animated content of approximately 440 minutes. However, the project was subsequently suspended by the customer due to internal restructuring of the customer. We have recognised RM0.02 million revenue in FYE 2020 and FYE 2021 respectively, for the partial work completed of the said project; and
- (iii) in December 2020, we secured a contract from a customer in USA for 2D animation production service for an animated content of approximately 60 minutes. Subsequently, the contract was mutually terminated due to disagreement in workflow of the project. In FYE 2020, we recognised RM0.17 million revenue for the partial work completed of the said project.

There can be no assurance that we will not experience any early termination or suspension of projects in the future which may adversely affect our business operation and financial performance.

9.1.8 We are liable to content security risk where unauthorised disclosure, distribution of confidential information, breach of IP rights or other terms and conditions may lead to the termination of our contracts or legal proceedings against our Group

Our 2D animation production projects are based on the pre-production package provided by our customers which typically includes the storyboard, character and background design as well as information that are sensitive, confidential and/or protected under IP rights. Our production process also includes transmitting, receiving and storing work-in-progress as well as completed projects before these are uploaded to our customers' designated storage location. Under the terms of contract with our customers, we are required to keep all such information, data and contents strictly confidential and secured.

Our electronic infrastructure and systems comprise, amongst others, the following devices:

- (i) servers, computers and mobile devices that either receive, process, store or transmit data;
- (ii) data centres for storage of data and information; and
- (iii) communications infrastructure including local area network and the internet to facilitate transmission and reception of data,

which are potentially vulnerable to physical or electronic intrusions, eavesdropping, cyber-attacks, malicious codes, ransomware or other destructive or disruptive actions. As with all electronic infrastructure and systems, we face the risk of, amongst others, sabotage, theft, destruction and/or loss of data, information and systems. Furthermore, we may be vulnerable to internal threats, such as unauthorised access by employees, or third-party subcontractors and individual freelancers who have access to this information.

Despite the implementation of various security measures, there is a risk that our security measures may be inadequate and we may be exposed to security breach intentionally or unintentionally by internal as well as external parties.

9. RISK FACTORS (CONT'D)

Since the commencement of our business, we have not experienced any termination of contracts, legal proceedings or penalties from our customers due to infringements concerning content security. Nevertheless, we may not be able to anticipate or implement adequate preventive measures against all security breaches and/or damage to our systems and/or human errors or careless actions from our employees or freelancers, any of which would adversely affect our reputation, business operations and financial performance.

9.1.9 We are dependent on technology and computer systems for our 2D animation production projects

The 2D animation production is a computer and technology-intensive operation which requires technology infrastructure including hardware, networks and software, as well as management systems to support the production process. In view of this, any errors or defects in the software, failure in hardware or networks, or failure of back-up facilities will affect the delivery of our 2D animation production works which could adversely affect our reputation and financial performance.

For the Financial Periods Under Review and up to the LPD, we have not experienced any material interruptions or failures in our technology infrastructure and management system which resulted in delays or failure to complete our 2D animation production projects. However, there can be no assurance that we will not experience any disruptions in our technology infrastructure and/or management system which could adversely affect our business operations and financial performance in the future.

9.1.10 We are subject to foreign exchange fluctuation risks which may impact our competitive position and profitability

Our business is exposed to risk of foreign exchange fluctuations where 99.69%, 99.20%, 99.60% and 99.64% of our revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively were transacted mainly in foreign currencies including USD and CAD, and to a lesser extent, EUR and AUD. Meanwhile, our purchases of materials and services for the Financial Periods Under Review were transacted in RM, HKD and USD.

For the Financial Periods Under Review, our revenue transactions and purchases in various currencies are as follows:

Revenue	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
USD	10,459	70.09	11,724	66.33	20,625	87.83	9,385	85.10
EUR	1,667	11.17	4,282	24.23	161	0.68	1,262	11.44
AUD	96	0.64	-	-	146	0.62	277	2.51
SGD	-	-	-	-	-	-	65	0.59
RM	46	0.31	141	0.80	94	0.40	39	0.36
CAD	2,417	16.20	1,528	8.64	2,459	10.47	-	-
HKD	238	1.59	-	-	-	-	-	-
Group revenue	14,923	100.00	17,675	100.00	23,485	100.00	11,028	100.00

9. RISK FACTORS (CONT'D)

Purchases	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	244	23.06	1,208	59.25	1,736	66.02	720	64.17
HKD	-	-	762	37.43	790	30.01	402	35.83
USD	815	76.94	68	3.32	105	3.97	-	-
Group purchases	1,059	100.00	2,038	100.00	2,631	100.00	1,122	100.00

For further details on the impact of foreign exchange fluctuation on our financial performance during the Financial Periods Under Review, please refer to Section 12.3.1 (viii) of this Prospectus. Our financial performance may be adversely affected if there are any strong unfavourable movements in exchange rates between RM and USD, CAD or other foreign currencies.

As at the LPD, we have foreign currency forward hedging facilities which may be utilised in the future depending on business operation's requirements. However, we do not have a formal hedging policy with respect to foreign exchange exposure. Rather, we monitor foreign exchange exposure on an ongoing basis and endeavour to keep net exposures to an acceptable level. Nevertheless, there is no assurance that any future fluctuations in foreign exchange rates will not materially and adversely affect our financial performance.

9.1.11 We may not be able to effectively execute our business strategies and plans promptly

Our business strategies and plans are to continue with our existing business activities in 2D animation production and leverage on our core competencies to grow our business. Our business strategies and future plans include domestic expansion in Malaysia by setting up branch offices in Sabah and Sarawak, expanding our technical resources and upgrading of existing operational office in Selangor as well as foreign expansion by setting up a sales office in the USA. For further information on our business strategies and future plans, please refer to Section 7.6 of this Prospectus. The prospects and future growth of our business is dependent on our ability to implement these strategies effectively and promptly.

There is no assurance that we will be successful in executing our business strategies and plans within the planned timeframe nor that we will be able to anticipate, minimise or mitigate all the business, financial and operational risks arising from the implementation of our business strategies and plans. In addition, we may experience delays in the implementation of our strategies and future plans due to amongst others, availability of skilled human resources, global and domestic economic conditions, regulatory changes and competition.

9.1.12 We are dependent on our Executive Directors and key senior management for the continuing success of our Group

Our business operations are dependent on the experience, knowledge and skills of our Executive Directors and key senior management.

Our Executive Director, See Chin Joo has over 20 years of experience in 2D animation production industry. He is responsible for providing management guidance, and strategic advice to the key management and personnel of our Group as well as overseeing the portfolio of finance, sales and marketing, and human resources processing of our Group.

Our Executive Director, Ooi Kok Hong has over 20 years of experience in 2D animation production industry and is responsible for providing strategic guidance and direction to the running of animation production, including talent acquisition, resource planning, process improvement, and technology development and deployment within our Group.

9. RISK FACTORS (CONT'D)

They are supported by our other key senior management with relevant experience in their respective field of works. The profiles of our Executive Directors and other key senior management are set out in Sections 5.1.2 and 5.4.2 of this Prospectus.

We recognise that our Group's future growth and continuing success depend, to a significant extent, on the capabilities and continuing efforts of our Executive Directors and key senior management. The loss of any of our Executive Directors or key senior management without any suitable and timely replacement may adversely affect our business operations and financial performance. Further, there is no assurance that we would be able to retain our Executive Directors or any of our key senior management or ensure a smooth transition should there be any material changes in key personnel in the future.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are subject to risks and uncertainties associated with technological changes and innovations

Our business operations involve extensive usage of technology in the production of 2D animation content. As such, any changes and innovations in such technology may affect our business. Certain technologies may be disruptive and may adversely affect our business operations. One such disruptive technology, amongst others, is generative AI, which is similar to ChatGPT.

Recent advancement in generative AI have demonstrated that it is capable of creating digital animation content. However, the conceptualisation, storyline and specific character personification, design and specification will still require human input. Workforce cost is a major component of the overall production cost in animation content. Generative AI has the potential to automate various aspects of the animation production process such as:

- (i) asset creation, which involves the creation of digitally drawn series of images that simulate movements;
- (ii) compositing, which involves the overlaying of various still images onto each frame of the animation content; and
- (iii) animatics, incorporating all the production work and sound overlay into the required sequence and proper timing.

While generative AI tools are still at its early developmental stage, the technology may have the potential of reducing the cost of producing animation content by replacing some of the workforce. As animation production is a global industry, the reduction in the cost of production will invariably place pressure on the contract selling price of the animated content due to competitive forces. In the event the animation production companies have to reduce their contract selling price, this may affect the prospects of operators in the animation production industry.

Although AI generative tools can be used to generate new creative assets, the ownership of such assets is still a subject of legal ambiguity at this stage. The creative assets generated by AI may be subject to copyright protection, and ownership issues. This poses a challenge to the animation industry for the adoption of generative AI in the production of animated contents, which animation studios may perceive generative AI as a sensitive subject given the potential lawsuits that may arise from the use of unauthorised work. In 2023, we had also secured contract for 2D animation production that prohibit the adoption of generative AI in our production work. From this perspective, the creative assets generated by AI tools may not have any material commercial value. There is no assurance that the creative assets that are generated from AI tools will not have any commercial value in the future.

9. RISK FACTORS (CONT'D)

In addition, we cannot provide any assurance that the use of AI-generated content would not adversely affect the demand for traditionally created content including 2D animation. We will continue to monitor the development of technologies and evaluate on ways to integrate such technologies into the 2D animation production pipeline. This could mean adoption of AI for labour intensive tasks such as inbetweening and colouring. Furthermore, we will provide training to our animation production personnel to expand on skill sets that include the knowledge of AI. This could make our Group more versatile in animation production that leverage on the strength of AI. Nevertheless, in the event we fail to adopt innovative technologies like generative AI as abovementioned, we may be exposed to the risk of losing our competitiveness to technological advancement which may adversely affect our business operations and financial performance.

9.2.2 We are subject to domestic and foreign competition in the animation production industry

We operate in a competitive industry and we face competition from domestic and foreign industry players in terms of, amongst others, pricing, service product offerings, production capabilities and timely delivery of our 2D animation production projects. As the 2D animation production is a digital technology based service, the production process can be carried out remotely and delivered to the customer via the internet. From this perspective, competition for the 2D animation production industry is global in nature. Global competitors would include operators in countries such as Philippines, India, South Korea, Japan and China. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential domestic and foreign competitors, and this could adversely affect our financial performance.

9.2.3 We are subject to political, economic, social, market and regulatory considerations and the occurrence of force majeure events such as pandemic risk

Any adverse developments in the political, economic, social, market and regulatory conditions in Malaysia or our export markets could adversely affect our business operations and financial performance. Such developments include, amongst others, changes in audience' preference, strikes and work stoppages affecting the animation and entertainment industries, changes in political leadership, geopolitical events, general economic and business conditions, fluctuations in foreign exchange rates, interest rates, acts of terrorism, riots, wars, sanctions, expropriation, nationalisation, fiscal and monetary policies, inflation, deflation, methods of taxation, tax policies, foreign worker levy, exchange control measures, unemployment trends, deterioration of international bilateral relationships, the outbreak of diseases or pandemics and other matters that influence consumer and business confidence and spending.

Increasing volatility in financial markets may also cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia and our export markets may materially and adversely affect our business operations, financial performance and prospects.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares and it is uncertain whether a sustainable market will ever develop

Prior to the IPO, there has been no public trading for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such a market will be sustainable. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the selling prices at which holders would be able to obtain for our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and that the market price of our Shares will not decline below the IPO Price.

9. RISK FACTORS (CONT'D)

9.3.2 Our Share price and trading volume may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global stock market and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as 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 in capital market, thus adding risks to the market price of our listed Shares. Nevertheless, the profitability of our Group is not dependent on the performance of the capital market as the business activities of our Group have no direct correlation with the performance of securities listed in the capital market.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

- (i) variation in our results and operations;
- (ii) success or failure in our management team 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, the general economic conditions or stock market sentiments or other events and factors;
- (v) additions or departures of our key management personnel;
- (vi) fluctuations in stock market prices and volumes; or
- (vii) involvement in litigation.

In addition, many of the risks described herein could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. Accordingly, there can be no assurance that our Shares will not trade lower than the IPO Price.

9.3.3 Delay in or cancellation of our Listing

- (i) The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:
 - (a) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations under such agreement;
 - (b) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.00% of the total number of our Shares for which our Listing is sought being in the hands of at least 200 public shareholders holding at least 100 Shares each at the point of our Listing; or
 - (c) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.
- (ii) Where prior to the issuance and allotment of our IPO Shares:
 - (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall repay all monies paid in respect of the applications for our Issue Shares within

9. RISK FACTORS (CONT'D)

- 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any of our Issue Shares, all monies paid in respect of all applications for our Issue Shares will be refunded free of interest within 14 days.
- (iii) Where subsequent to the issuance and allotment of our IPO Shares:
- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our Issue Shares shall be redeemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (b) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules to the extent that our Issue Shares form part of our share capital. Such cancellation can be implemented by either:
- (aa) the sanction of our shareholders by special resolution in a general meeting, consent by 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 in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
- (bb) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

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