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 THE FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO THE OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are dependent on PETRONAS group as our major customer

We are dependent on our major customer, namely PETRONAS group, which contributed 85.84%, 54.47% and 45.64% to our total revenue for Financial Years Under Review, respectively. Further breakdown on revenue contribution from PETRONAS group for the Financial Years Under Review is as follows:

Name	Services provided	FYE 2021		FYE 2022		FYE 2023	
		RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
PETRONAS group	EPCC services and facilities improvement / maintenance, installation and maintenance of oilfield equipment, supply of oilfield equipment	21,326	85.84	36,125	54.47	33,103	45.64

Our working relationship with PETRONAS group commenced in 2013 through our first contract with PETRONAS Carigali involving the supply of chemical injection skids, which had a contract duration of 3 years from May 2013 to May 2016. Between 2013 up to the LPD, we have secured a total of 44 contracts (comprising fixed / Price Agreements (call out contracts)) with PETRONAS group for the provision of the following services:

(i) EPCC services and facilities improvement / maintenance – the provision of EPCC services for chemical injection skids and improvement / maintenance of topside O&G facilities (i.e. onshore O&G terminal and / or offshore production platform);

(ii) Installation and maintenance of oilfield equipment – the installation, repair, refurbishment and replacement of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment) in topside O&G facilities (i.e. onshore O&G terminals and / or offshore production platform); and / or

(iii) Supply of oilfield equipment – the supply of oilfield equipment (e.g. pig trap system, fire rated doors or oil spill recovery equipment), as well as their parts and components, undertaken through purchase orders on an ad-hoc basis (involves the standalone supply of oilfield equipment to our customers without any installation or maintenance provided).

9. RISK FACTORS (CONT'D)

We have also entered into Price Agreements (call out contracts) with PETRONAS group for the abovementioned services with contract durations that range from 1 to 5 years with options for extensions of up to 2 years. As at the LPD, we have 11 ongoing contracts with PETRONAS group with expiration date of up to August 2026. For clarification purposes, under a Price Agreement (call out contract) (which does not have a fixed contract value), we are engaged by the customer through work orders to provide specified services for the duration of the contract, as and when such services are required. Should there be a need for our services during the contract period of our Price Agreements (call out contracts) with PETRONAS group, they will issue a work order to our Group and we have to provide these services within a stipulated timeframe prescribed within the Price Agreements (call out contracts). Nevertheless, there is no guarantee that PETRONAS group will issue work orders to us during the contract period as we are only called to provide our services as and when such services are required by PETRONAS group.

Given the past and on-going contracts with PETRONAS group, they may continue to account for similar proportion of our Group's total revenue in the near future in view of our established working relationships with PETRONAS group which started since 2013. As such, we have been reliant upon PETRONAS group for our projects and there is no assurance that PETRONAS group may continue to account for similar proportion of our Group's revenue in the near future.

Despite having secured Price Agreements (call out contracts) with the PETRONAS group, there is no assurance that the Price Agreements (call out contracts) will remain. Any termination of the Price Agreements (call out contracts) and our inability to secure new customers to replace the loss of business in a timely manner could result in a loss of revenue and will adversely affect our financial performance. In addition, there is no assurance that PETRONAS group will continue to engage us in the future. In the event that PETRONAS group terminates its business relationships with our Group, we may not be able to secure other customers who can contribute the similar revenue proportion by PETRONAS group on a timely basis.

Furthermore, our business operations and financial performance may be adversely affected should there be any adverse changes specific to PETRONAS group's operations, financial performance and external factors that are beyond their control. PETRONAS group is subject to inherent risks in the O&G industry, particularly on the level of capital spending and activity in the exploration, development as well as production of crude O&G which are influenced by the fluctuation of crude O&G price. In a situation of diminishing level of the aforesaid exploration, development and production activities, PETRONAS group operations may be affected which may lead to the possible decline in the number of contracts to be awarded to us. Given the above, there is no assurance that our financial performance and business operations will not be adversely affected by our reliance on PETRONAS group.

9.1.2 We are dependent on PETRONAS license and we are required to comply with SWEC requirements

We operate within the O&G services and equipment industry where our business activities are to support the upstream, midstream and downstream segments of the O&G industry. Based on the Petroleum Development Act 1974 and Petroleum Regulations 1974, in order to participate in the O&G activities in Malaysia, a company is required to have a valid license issued by PETRONAS.

In December 2012, via Steel Hawk Engineering, we obtained our PETRONAS license which enables us to supply products and services to the upstream, midstream and downstream segments of the O&G industry in accordance with the Petroleum Development Act 1974 and Petroleum Regulations 1974. As at the LPD, our PETRONAS license has a validity period of 3 years up to 17 December 2024 and it is subject to renewal every 3 years. As such, we are dependent on the PETRONAS license for the continuity of our core business operations.

In addition to having a valid PETRONAS license, we must meet SWEC requirements for the services that we provide to our customers in Malaysia. Even though we have obtained the required PETRONAS license and have been approved for a number of SWECs, we are subject to continuous review under PETRONAS' conditions, general guidelines and minimum technical requirements which are subject to change from time to time. Please refer to **Section 7.16** of this Prospectus for further details of our PETRONAS license and SWECs that we require for our operations.

Some of the conditions or requirements as stated in PETRONAS' conditions, general guidelines and SWEC requirements relevant to our business which may lead to the revocation, suspension, blacklisting or non-renewal of our PETRONAS license are as follows:

(i) Commercial / financial conditions, such as if our Group is found to be in the process of liquidation, winding-up or dissolution;

(ii) Operational conditions, such as failure to execute the award job until completion, failure to perform a contractual obligation or any other obligation under the law to partners, principals, agents, sub-contractors and others, received garnishee order, facing bankruptcy action, sub-contract work to another contractor without written permission from PETRONAS, reject any contract or tender awarded, entering or accepting contract or tender during the license suspension period, provide false, inaccurate or misleading information, does not follow tender’s regulations and ethics including but not only limited to sending poison-pen letters, bribing or lobbying, and engaged in any impropriate activities with this license; and

(iii) SWEC requirements, such as failure to meet the "Minimum Technical Requirements" including the following, among others:

 (a) availability of key personnel and their minimum qualifications and years of relevant experience;

 (b) availability of relevant facilities and equipment;

 (c) company's minimum years of relevant experience;

 (d) relevant quality and / or standard accreditations; and

 (e) registrations and / or licenses from external bodies / authorities.

In the event we fail to comply with the rules and regulations issued by PETRONAS or we fail to meet our SWEC requirements, PETRONAS may take action against our Group, such as the revocation, suspension, blacklisting and non-renewal of our license. Similarly, any contravention of these rules and regulations can result in penalties, fines and / or potential criminal prosecution against our Company. Such revocation, suspension, blacklisting and non-renewal of our license will impinge our ability to carry on our business operations and thus affect our profitability.

As at the LPD, our Group has not encountered any revocation, suspension, blacklisting or non-renewal of our license issued by PETRONAS prior to expiration. Nevertheless, while we constantly ensure that we meet PETRONAS' requirements, there can be no assurance that in the future, our Group will be able to secure renewals of our license issued by PETRONAS, continue to be qualified for our existing SWEC or qualify for new SWEC, especially if there are changes to the present rules, guidelines, regulations and / or policies.

9.1.3 We are required to comply with the minimum Bumiputera requirements for SWEC

The minimum Bumiputera requirements for SWEC are 30.00%, 51.00% and 100.00%. There are also SWECs with no requirement on Bumiputera participation.

As at the LPD, the SWECs held under our PETRONAS license only require either 30.00% or 51.00% Bumiputera equity. Notwithstanding the foregoing, there is a flexibility given for "Berhad" (public-listed) companies or "Sdn Bhd" companies which is owned at least 51.00% by a Berhad company to hold a minimum of 35.00% Bumiputera equity when applying for SWECs with minimum 51.00% Bumiputera requirement. Hence, given that we are a public listed company, it is our obligation to fulfil the 35.00% Bumiputera Requirement and ensure full compliance to the terms stated in the PETRONAS license / Registration General Guidelines.

As at the LPD, Radiant Capital being the Bumiputera shareholder of our Group ("**Bumiputera Promoter**") holds 45.90% equity interest in our Company. Upon our Listing, Radiant Capital's shareholdings will be diluted from 45.90% to approximately 36.40%. Based on the 35.00% Bumiputera Requirement, our Group will continue to meet the minimum Bumiputera requirements for SWEC after the Listing. This is in line with the flexibility given for public listed company specified under the PETRONAS license / Registration General Guidelines.

As at the LPD, our Group has not encountered any instances where we were not able meet the minimum Bumiputera requirements for SWEC. Nevertheless, there can be no assurance that changes to the present conditions or the introduction of new Bumiputera requirements for SWEC (if any) will not affect our ability to maintain or renew our PETRONAS license upon its expiry on 17 December 2024. As highlighted in **Section 9.1.2** above, in the event we fail to meet the Bumiputera requirements for SWEC, PETRONAS may take action against our Group, such as the revocation, suspension, blacklisting and non-renewal of our PETRONAS license. Should PETRONAS take any such action against our Group, our business and financial performance could be adversely affected as we are dependent on PETRONAS group as our major customer.

9.1.4 We are required to comply with the conditions for Bumiputera contractor status

As part of PETRONAS' continuous effort to enhance and further strengthen PETRONAS Licensing & Registration process, all vendors (contractors / suppliers) who are interested in doing business with PETRONAS are required to procure a MEDC License. For information purposes, it was a pre-requisite requirement for our Company to procure an approval for the Bumiputera Controlled Public Listed Company ("**BCPLC**") status by the MITI prior to the application or issuance of the MEDC License. Our Company is currently a holder of the BCPLC status approval with a validity period of 1 year up to 25 May 2023 ("**BCPLC Approval**"). The BCPLC Approval is subject to our Company reducing the shareholdings of non-Bumiputera substantial shareholder(s) such that it is not more than 10% (individually) or 24% on an aggregated basis ("**BCPLC Condition**"). On 26 June 2023, our Company was granted an extension of 1 year up to 25 June 2024 to comply with the BCPLC Condition.

Upon our Listing, our Company will be able to comply with the BCPLC Condition (i.e. the shareholdings of non-Bumiputera substantial shareholder(s) are not more than 10.00% (individually) or 24.00% on an aggregated basis).

In view of the procurement of the BCPLC Approval by our Company, our wholly-owned subsidiary, namely Steel Hawk Engineering is currently a holder of the MEDC License. As at the LPD, our MEDC License has a validity period of approximately 2 years up to 21 May 2024. Steel Hawk Engineering shall ensure that the following conditions as specified under the MEDC License are complied with at all times, in which these conditions are complied with as at the LPD:

(i) at least 51.00% of the shares in the company is owned by Bumiputera (G2-G7) ("**MEDC Bumiputera Equity Requirement**");

(ii) the ownership of the shares held by Bumiputera individual owners has to be more than non-Bumiputera owners;

(iii) at least 51.00% of the members of the board of directors of the company are Bumiputera (G2-G7);

(iv) the chief executive officer, managing director or general manager and any other key positions within the company must be held by a Bumiputera;

(v) at least 51.00% of the employees of the company must be Bumiputera (G2-G7);

(vi) the financial management position in the company has to be held by a Bumiputera;

(vii) the organisational chart and the function of the company management demonstrates the positions held by Bumiputera; and

(viii) to ensure participation by the Bumiputera is an active partnership and has an active role in corporate transactions of the company as mentioned under sub-paragraphs (i) to (vii) above.

Upon our Listing, our Group's Bumiputera Promoters' shareholdings will be diluted from 45.90% to approximately 36.40%, which is below the 51.00% of the MEDC Bumiputera Equity Requirement. Nevertheless, we have sought consultation with MEDC and pursuant to the reply from MEDC to our letter dated 3 August 2023, MEDC has indicated that Steel Hawk Engineering will continue to be allowed to maintain its MEDC License after our Transfer, provided that Steel Hawk Engineering complies with the following requirements:

(a) our Company must maintain at least 35.00% Bumiputera shareholdings as specified under MITI's criteria for BCPLC after our Transfer; and

(b) Steel Hawk Engineering must fulfil the other criteria specified under the MEDC License (save for the MEDC Bumiputera Equity Requirement and that the ownership of shares by Bumiputera individual owners must be more than the non-Bumiputera owners) at all times.

With the existing rules imposed on us, there is no risk to our Group as we have strictly complied and will continue to comply with the aforesaid conditions imposed by MEDC at all times. Nonetheless, there can be no assurance that changes to the present conditions or the introduction of new rules (if any) will not affect the renewal of the MEDC License upon its expiry in May 2024.

As at the LPD, our Group has not encountered any revocation, suspension, blacklisting or non-renewal of our MEDC License prior to expiration. Nevertheless, in the event Steel Hawk Engineering is not able to maintain the MEDC Bumiputera contractor status and / or our MEDC License is suspended and / or our Group is not able to renew the MEDC License, this may result in the revocation of the PETRONAS license issued to our Group to which such revocation tantamount to an event of default in respect of our on-going contracts with PETRONAS. Consequently, PETRONAS shall have the right to suspend all or part of the work under the contract with our Group and / or to terminate the contracts if we fail to rectify the default. In addition, we may not be able to participate in any new tenders of PETRONAS that requires MEDC License and within our SWEC.

9.1.5 We may be adversely affected by changes in PETRONAS' policies

PETRONAS' current policies in Malaysia towards the O&G industry include the imposition of licensing requirements. Under these policies, only companies with valid licenses may supply goods, products and services to upstream segment of the O&G industry in Malaysia and the PETRONAS group of companies in the downstream segment. In addition, these PETRONAS policies also restrict the ability of suppliers of goods, products and services to operate in Malaysia. These restrictions can require, for instance, foreign suppliers to use Malaysian content in their operations and to operate with a Malaysian partner or company either by forming a joint venture with the Malaysian partner or company or by designating the Malaysian partner or company as an executive agent representing the said foreign entity.

A fundamental change in PETRONAS' policy with regards to regulating the O&G industry in Malaysia may come about through the liberalisation of the O&G industry. PETRONAS may liberalise the O&G industry in Malaysia by, among others:

(a) removing licensing requirements for the provision of supporting products and services;

(b) loosening licensing requirements such that it becomes easier to obtain a license; and

(c) allowing foreign suppliers to operate in Malaysia without having to operate with a local partner and reducing other restrictions on their operations.

Currently, operators that meet the PETRONAS licensing and registration requirements compete with other operators based on commercial, technical and other factors. Any fundamental change in PETRONAS' policies, such as a relaxation or liberalisation of licensing requirements for the provision of goods, products and services related to the O&G industry or permitting foreign suppliers to operate in Malaysia without restrictions (including without local content or local partner or company) would have an adverse effect on our business and financial performance. Furthermore, there can be no assurance that any changes in PETRONAS' policies will not materially increase the level of competition in the industry and that we will be able to successfully adapt to any changes in policy.

9.1.6 Our business operations rely on our certificates of registration issued by CIDB

We are principally involved in the provision of onshore and offshore support services for the O&G industry. Pursuant to the CIDB Act, it is a mandatory requirement for all contractors who carry out or complete any civil engineering construction and / or mechanical and electrical construction works to hold a valid certificate of registration issued by CIDB.

Our subsidiary, Steel Hawk Engineering is currently registered as a Grade G7 contractor with CIDB. The Grade G7 certification allows us to tender for building, civil, mechanical and electrical engineering projects without restriction in the value of the projects. Our certificate of registration issued by CIDB is key to the continuity of our business operations.

We have not experienced any past instances where our certificate of registration issued by CIDB have been revoked or suspended prior to its expiration, or where renewal of our certificate of registration issued by CIDB was not successful which had a material adverse impact on our Group's operations. However, any revocation of our certificate of registration or failure by us to obtain other new approvals, licenses and permits, for our certificate of registration issued by CIDB, will have a material impact on our ability to continue our business operations and hence will affect our profitability.

9.1.7 We are required to comply with HSE laws and regulations that govern the O&G Industry

The O&G industry is subject to various HSE laws and regulations. HSE laws and regulations address, among others, occupational safety and health of employees when they perform their jobs and the effect that performing those jobs may have on the environment. Failure to comply with any relevant laws and regulations, as well as injuries or other harm caused by such failure, may result in financial penalties, administrative or legal proceedings against us including the termination or suspension of our business activities.

Our failure to comply with any or all the applicable HSE laws and regulations or a change in any or all such regulations may disrupt our operations and could have a material adverse effect on our business operations. As at the LPD, there have been no incidences of non-compliance of the applicable HSE laws and regulations by our Group.

There can be no assurance that we will continue to remain in compliance with the applicable HSE laws and regulations as we carry out our business. In addition, there can be no assurance that we will not be involved in future litigations or proceedings relating to regulatory matters, of which the cost could be material.

9.1.8 We are dependent on our key management team and technical personnel for continued success and the loss of their continued service may affect our business operations

Our continuous success, future business growth and expansion will depend upon our ability to identify, engage and retain suitable, skilled and experienced employees, including our key management team with the essential industry experience, knowledge and expertise. Our key management personnel are vital in driving the future growth of our Group as they contribute in aspects of strategic direction, leadership, business planning and development as well as the management of our Group.

Our Group's key management personnel that lead and oversee our projects, namely Dato' Sharman, Salimi Bin Khairuddin and Khairul Nazri Bin Kamarudin, have approximately 20 years, 14 years and 10 years of experience in the O&G industry respectively as at the LPD. They have been actively involved in our Group's daily business operations as well as formulating and implementing strategies to drive the growth and expansion of our Group. Accordingly, their extensive knowledge and experience in the O&G industry is invaluable to our Group.

Apart from the above individuals, our other key management personnel, namely Datin Annie A/P V Sinniah and Vinthra A/P Vijayakumar, also play a pivotal role in our daily business operations based on their experience in their respective fields and in-depth knowledge on our business. Further information on the profiles of our key management team are set out in **Section 5.1.2** and **Section 5.4.2** of this Prospectus.

Further, as at the LPD, we have a total workforce of 68 employees in which we have 48 technical personnel, which accounted for 70.59% of our total employees. As the O&G industry is technical and specialised, our technical personnel are essential to carry out various engineering and technical works in our business operations.

There can be no assurance that we will be successful in retaining our existing key management team or there will be a smooth transition should changes occur, which may bring about an adverse impact on our Group. The loss of any personnel in our key management team without suitable replacement in a timely manner and inability to hire new qualified technical personnel may adversely affect our business operations. This will delay our project completions and may eventually affect our ability to maintain and / or improve our business performance.

9.1.9 We are exposed to the risks of possible delays in completing our projects

The timeframe to complete our projects is in accordance with the terms in our contracts. However, the completion of our projects may be affected by many external factors such as the availability of parts and components, the quality of work delivered by our subcontractors and any unforeseen external factors, which are beyond our control.

Project delays may affect our profitability and result in a delay in recognition of revenue. In addition, in the event that there is a delay in any of our projects and we are unable to procure an extension of time for the project, we will be subject to liquidated and ascertained damages ("**LAD**") penalties imposed by our customer, which will then lead to project cost overrun, attract adverse feedback and legal uncertainties. As at the LPD, we have not encountered any failure in obtaining extension of time(s) for our projects which had resulted in LAD penalties enforced against us and we have not encountered project cost overrun that led to an adverse impact on our business operations and financial results.

Notwithstanding the above, there can be no assurance that our future projects can be completed in a timely manner with no delay, in which the delay may result in legal suits, liabilities and lower profitability that would adversely impact our Group's future earnings and reputation.

9.1.10 We are subject to credit risk and default payment by our customers

Our Group is dependent on the ability of our customers to make timely or full payments to us as any payment delays from them will result in a negative impact on our Group's cash flow position. Under such circumstances, we may provide impairment loss on trade receivables or write off trade receivables as bad debts, which will adversely affect our financial performance.

We generally grant our customers 30 days credit period. Our trade receivables turnover period for the Financial Years Under Review were 6 days, 29 days and 35 days, respectively. For the FYE 2021 and FYE 2022, our Group's trade receivables turnover period were within the normal credit terms. However, for the FYE 2023, our Group's trade receivables turnover period exceeded our normal credit terms, mainly attributed to slower collection of receivables from a customer within the EPCC services and facilities improvement / maintenance segment which had subsequently been collected after the FYE 2023. For information purposes, we did not make any impairment on trade receivables during the Financial Years Under Review up to the LPD. Please refer to **Section 12.4** of this Prospectus for details on our trade receivables turnover and our outstanding trade receivables which yet to be collected.

Notwithstanding the above, there can be no assurance that payments from any of our customers will be received in full or on time in the future. In the event of a delay, missed or reduced in payments to us, our Group's operating cash flow and liquidity will be materially and adversely affected.

9.1.11 We are subject to warranty claims for defects in our deliverance

We typically provide warranty against defects for a period of between 12 months and 36 months pursuant to the contracts. In the event of any defects during the warranty period, our customer may require us to replace the defective works and bear the reinstallation costs.

For the Financial Years Under Review, save for the FYE 2021 where we have encountered warranty claims amounting to RM5,771 which accounted for 0.03% of our total revenue, we have not incurred any warranty claims for defects in our deliverance. While these warranty claims were not significant, any substantial increase in warranty claims may adversely affect our financial performance.

9.1.12 Our future growth depends on our ability to execute our business strategies and future plans

Our business strategies and future plans are as follows:

(i) We plan to establish our own fabrication yard at Teluk Kalung, Kemaman, Terengganu;

(ii) We intend to expand our EPCC services to the renewable energy industry; and

(iii) We intend venture into integrated HUC services within the O&G industry.

Please refer to **Section 7.4** of this Prospectus for further information on our business strategies and future plans.

The implementation of these business strategies and future plans involves capital expenditure as well as other operating expenses such as depreciation charges, maintenance costs of systems and equipment and staff costs. The feasibility and implementation of such business strategies and future plans will also depend on, among others, favourable economic conditions and the timing of execution.

There is no assurance that the execution of our business strategies and future plans will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies and future plans, which may materially affect the business operations and financial performance of our Group.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition within the O&G services and equipment industry

We operate in the O&G services and equipment industry in Malaysia and we are subject to competition from existing O&G services and equipment providers as well as potential new entrants in the industry in terms of range of services and equipment, technical expertise, ability to meet technical, quality and safety requirements, and reliability and efficiency of deliverance, among others. Increasing competition in the O&G services and equipment industry has, and is expected to continue to have an impact on our Group's operational results and financial performance.

The competition we face from existing industry players and potential new market entrants may impact our revenue and profitability as we are required to participate in tender activities with more competitive bid prices in order to secure new contracts. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have material and adverse effects on our business operations and financial performance.

9.2.2 We may be affected if PETRONAS group and other O&G players reduce their capital investment and / or operating expenditure in the event of a sustained fall in the market price of crude oil and / or natural gas

As crude oil and natural gas are internationally traded commodities whose prices are subject to fluctuation. Global economic conditions and outlook, geopolitical factors, unexpected supply disruptions, increase and reduction in demand, and other factors may influence the market price of these commodities.

The level of O&G industry activity, including operating expenses and capital expenditure are, to some degree, affected by fluctuation in the market price of crude oil and natural gas. For example, the level of activity tends to increase when prices are sustained at a high level, as producers tend to increase exploration and development activities to identify new reservoirs and bring them into production and they have more financial resources to do so. This increase in activity generally results in increases in operating expenses and capital expenditure by operators.

Conversely, the O&G industry tends to decline when prices are sustained at a low level as producers may temporarily scale down development and production activities. Exploration activity may continue, although at a reduced level. This generally results in a decrease in capital expenditure as operators reduce investment in exploration and development activities hence reducing operating expenses too.

There is a risk that PETRONAS group and other O&G players may reduce their activities in, among others, O&G production, processing and transportation or delay, suspend and / or terminate some of their projects due to, among others, the COVID-19 pandemic and / or a sustained low crude oil price environment, as highlighted in **Section 7.3.3** of this Prospectus.

Should PETRONAS group and other O&G players reduce their O&G activities or delay, suspend and / or terminate some of their projects, there may be a reduction in their spending on capital investment and / or operating expenditure which could reduce the demand for our Group's services. Consequently, this may have an adverse effect on our business operation and financial performance.

9.2.3 We are subject to political, economic, social, market and regulatory considerations and occurrence of force majeure events

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, but are not limited to, changes in political leadership, geopolitical events, general economic and business conditions, fluctuations in foreign exchange rates and interest rates, acts of terrorism, riots, wars and / or sanctions, prolonged COVID-19 pandemic or emergence of new epidemics or pandemics, expropriation or nationalisation, fiscal and monetary policies of the Government such as inflation, deflation, methods of taxation, tax policies, foreign worker levy and exchange control measures, unemployment trends, deterioration of international bilateral relationships, and other matters that may 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 may materially and adversely affect our business operations, financial performance and prospects.

9.2.4 Our business may be affected if crude oil and natural gas reservoirs in Malaysia become depleted

All crude oil and natural gas reservoirs are non-renewable as it is not possible to regenerate them within a reasonable timeframe once they have been extracted. As such, all crude oil and natural gas reservoirs, including those in Malaysia, will eventually be depleted. Depletion of these reservoirs is likely to have a negative impact on production activity, which will in turn affect the demand for O&G supporting services, including crude oil and natural gas well services.

PETRONAS has implemented various measures and initiatives to increase Malaysia’s crude oil and natural gas reserves, with new discoveries contributing to the hydrocarbon reserves in the country. In addition, current reserve estimates generally do not take into account factors such as the existence of crude oil and natural gas that have not been discovered, developments that can increase the amount of crude oil and natural gas that can be extracted from existing reserves and technological advances that enable production from previously inaccessible reserves.

However, there can be no assurance that O&G industry operators in Malaysia will continue to discover recoverable reserves quickly enough to replace reserves that are produced. There is no assurance that technological and other advances can materially increase the amount of crude oil and natural gas that can be extracted from reserves and enable production from inaccessible reserves.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There is no prior active market for our Shares and it is uncertain whether an active or sustainable market will ever develop after the Transfer

As at the LPD, we are listed on the LEAP Market and upon completion of our Transfer, the entire issued share capital of our Company will be transferred from the LEAP Market to the ACE Market. Currently, the trading of our Shares is only restricted to sophisticated investors (i.e. any person who is specified as a sophisticated investor in the SC's Guidelines on Categories of Sophisticated Investors).

The listing of and quotation for our Shares on the ACE Market does not guarantee that an active market for the trading of our Shares will develop, or if developed, such market can be sustained. 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 prices at which holders would be able to sell our Shares.

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

9.3.2 Our Share price and trading volume may be volatile

The performance of the ACE Market is dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. The sentiment is also induced by factors such as economic and political conditions and the growth potential of the various sectors of the economy. These factors constantly contribute to the volatility of share prices witnessed on the ACE Market and this adds risks to the market price of our Shares. Nevertheless, our profitability is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of securities listed on the ACE Market.

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

(i) variations in our financial results and operations;

(ii) success or failure of our management team in implementing business and growth strategies;

(iii) gain or loss of an important business relationship;

(iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;

(vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;

(vii) additions or departures of our Key Senior Management;

(viii) fluctuation in stock market prices and volume;

(ix) involvement in litigation; or

(x) natural disasters, health epidemics and outbreaks of contagious diseases.

There is no assurance that the market price of our Shares will not be subject to volatility due to market sentiments.

9.3.3 Failure or delay in our Transfer

Our Transfer could be delayed or terminated due to the possible occurrences of certain events, which include the following:

(i) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

(ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of at least 25.00% of our enlarged number of issued Shares to be held by a minimum of 200 public shareholders holding not less than 100 Shares each, at the point of our Listing; and

(iii) the revocation of approvals from relevant authorities prior to our Transfer or admission to the Official List of ACE Market for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

(i) if 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 we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 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 rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) if our Listing is aborted, investors will not receive any of our IPO Shares and all monies paid in respect of all applications for our IPO shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

(i) if the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall forthwith be repaid without interest, 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 from the expiry of that period pursuant to Section 245(7)(b) of the CMSA; or

(ii) if 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 our share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:

  (a) 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

  (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

9.3.4 Uncertainty of dividend payments

We are a holding company and we conduct all our operations through our Subsidiaries. Accordingly, our main source of income, which is an important factor in our ability to pay dividends to our shareholders, is the receipt of dividends and other distributions to us from our Subsidiaries. It is our Board's policy to recommend and distribute minimum dividends of 30.00% of our annual PAT attribution to shareholders of our Company. This will allow our shareholders to participate in our Group's profits. Any final dividends declared are subjected to the approval of our shareholders at our AGM.

Our ability to declare dividends or make other distributions to our shareholders may also be subject to restrictions contained in our existing and / or future loan agreements, the future financial performance and cash flow position of our Group and subject to us having profits and sufficient funds which are in excess to our requirements to fund our operations, other obligations or business plans. Deterioration of these factors could have a material adverse effect on our business and inability to declare dividends to our shareholders.

There is no assurance that our Company will be able to distribute dividends to our shareholders as a result of the above-mentioned factors. There is also no assurance that we will be able to record profits and have sufficient funds for our operations, other obligations and business plans to declare dividends to our shareholders in the future.

9.3.5 Our Promoters may have continued control

Upon our Listing, our Promoters will collectively hold 276,251,000 Shares, representing approximately 56.38% of our enlarged issued shares. Accordingly, our Promoters will be able to exercise significant influence over the outcome of certain matters requiring the voting of our shareholders, including voting on appointment of Directors, and consequently may be able to influence the composition of our Board. Hence, there can be no assurance that the interests of our Promoters will always be aligned with those of our other shareholders.

Our Promoters could also have a significant influence in determining the outcome of corporate transactions or other matters submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions to the extent that they are not required to abstain from voting (and procuring persons connected to them to abstain from voting) in respect of such transactions and corporate actions. Our substantial shareholders are also able to prevent or cause a change in control in our Company.

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