9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTUS 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 Our Group is dependent on LPPB to sustain our pipeline of projects

Since 2010 and up to LPD, we have been providing our design and build construction services primarily to LPPB whereby LPPB is the state authority in Sabah involved in overseeing housing and township development, as well as the development of affordable housing in Sabah. Through the provision of such services, LPPB is the land and project owner of the development. This is different from our Group's property development activities where we are the land and project owner of the development. Further details on the arrangement between our Group and LPPB on the provision of design and build construction services are as set out in Section 7.3.1.1.

Our Group secures projects from LPPB by tender, and bids through the submissions of Technical and Financial Proposals to LPPB. LPPB publishes tender invitations on its official website which includes the details and types of lands available for development. Our Group responds to the tender invitations by submitting our proposals to LPPB for their consideration. As such, from a pool of bids that may be submitted by several other property developers in Sabah, LPPB has the authority to decide on the party for which the development project will be awarded to. All projects which contributed to our Group's revenue during FYE 2020 to 2022 were design and build construction services contracts awarded by LPPB. In addition, on-going and future projects slated up to 2025 amounting to RM1.4 billion in GDV are also projects awarded by/in participation with LPPB, save and except for the Alamesra project, which is an acquisition of lands from a third-party vendor for a purchase consideration of approximately RM74.0 million. In the event that there is a delay in the completion of projects with LPPB, our Group will be liable to pay the agreed liquidated damages stipulated in the respective sale and purchase agreements entered into between our Group, LPPB and the buyers of the units of the particular project. Our Group will also be required to indemnify and keep LPPB harmless against all such claims, loss and damages, if any. Between 2015 to 2019, we had made payments for LAD claims to 81 buyers of Taman La Gloxinia Phase 2A and 2C for the delay in the completion of the project, in which the payment collectively amounted to RM535,418.95 and was fully borne by our Group. Save as disclosed above, since 2010 and up to LPD, we have not paid any LAD claims for our design and build construction projects with LPPB as we have not experienced any delays in the completion of these projects.

In this regard, our Group is dependent on LPPB to sustain our pipeline of projects. In the event that LPPB ceases to award design and build construction projects to our Group, our financial performance will be adversely affected. Further, LPPB may decide to award the projects to other property developers in Sabah and this subjects us to the risk of competition from these property developers. Notwithstanding that our Group has the expertise to continue sourcing for landbank for our own development projects, there is no assurance that we will be able to complete the acquisition of the landbanks in a timely manner as well as to have sufficient landbank for development projects, in order to compensate for any loss in revenue if we fail to secure design and build construction services from LPPB.

9.1.2 Our Group is subject to risks of possible delays in completing our design and build construction projects and property development projects

We are subject to risks of possible delays in completing our projects. Additionally, any extensions of time in the completion of projects may result in project cost overrun and attract negative feedback from the consumer market. Prolonged interruptions or delays in completing a project may result in legal implications such as property buyers claiming LAD from us which may affect our revenue and profitability as well as cash flows. In the event of a delay in delivery of vacant possession, LAD claims made by buyers to our Group are calculated daily based on 8.0% per annum on the purchase price of the buyer's unit. Further, our Group will also be required to indemnify and keep LPPB harmless against all such claims, loss and damages, if any. While we do not have exact back-to-back LAD claim arrangements with our contractors in respect of any LAD claims made by buyers, there are LAD clauses in the respective contractors' contracts which are enforceable by us in the event of any delays directly attributable to the works of the contractors. Such LAD amounts are derived based on the contract sum and thus differ from contract to contract.

The timely completion of our design and build construction projects and property development projects is dependent on many external factors inherent in construction and property development, some of which may be beyond our control including, amongst others, the timely receipt of required licenses, permits or regulatory approvals, availability of construction materials, equipment and labour, availability of financing and appointment of qualified and competent consultants, professionals and subcontractors to complete the projects on time.

In addition, delays in the completion of the projects may also arise from environmental factors such as natural disasters like landslides and flooding; and/or sudden crisis such as the outbreak of the COVID-19 pandemic. Details on the interruptions to our business operations arising from the COVID-19 pandemic are as set out in Section 7.5.1. Any implementation or tightening of movement restriction arising from the outbreak of diseases which results in the suspension of operations and/or reduction of workforce may affect our construction progress.

We have not paid any LAD claims in FYE 2020 to 2022 and up to LPD as we have not experienced any delays in the completion of our design and build construction projects and property development projects (i.e., late delivery of vacant possession to home buyers).

Nevertheless, there can be no assurance that there would not be any delays in the completion of our future projects due to unforeseen circumstances which may result in property buyers imposing LAD claims that would adversely impact our Group's future earnings and reputation.

9.1.3 We are subject to potential liability claims for construction defects during the defect liability period

Construction defects may occur on our design and build construction projects and property development projects, and may arise sometime after completion of that particular project. While we may have recourse against our subcontractors in respect of such defects, such recourse may not be adequate or may only be available for a limited period, or that certain liabilities may only come to light after such recourse period has expired.

We extend a defect liability period of 18 months for all our design and build construction projects and property development projects. Any claims relating to defects on the properties may give rise to contractual and other liabilities. Unexpected levels of expenditure attributable to rectifying defects arising from a project may have a material adverse effect on the profitability generated from the particular project. Ultimately, it may also have an adverse effect on our Group's reputation, which in turn may adversely affect our business and financial performance.

9.1.4 Our Group is subject to risks associated with joint ventures

As at LPD, our Group has a joint development project with LPPB in relation to the development of The Logg. Further details on our joint development arrangement with LPPB for The Logg is as set out in Section 7.3.2.2(a). As part of our Group's strategy, we will continue to, from time to time, enter into property development and property investment projects through the formation of joint ventures.

LPPB or our future joint venture partners may, in the future, have economic or business interests or goals that are not aligned with our Group; experience financial or other difficulties; be unable or unwilling to fulfil their contractual obligations such as not complying with requests in making payments during future capital calls; or take actions contrary to our instructions, requests, policies or objectives, amongst others. In these situations, disputes may arise between our Group and our joint venture partner(s) that may not be resolved amicably.

In certain cases, disputes may arise in respect of reserved matters identified in our joint venture agreements. As reserved matters require the consent of all the partners of the joint venture agreement to be obtained before action may be undertaken by the jointly controlled entity, any disputes between the joint venture partners would result in a deadlock where the matter in dispute will not be implemented.

In certain cases, where the deadlock cannot be resolved even after repeated attempts by the joint venture partners, this may result in one joint venture partner acquiring the shares of the other joint venture partner or a winding-up of our jointly controlled entity, bringing the joint venture to an end. The process of resolving the disputes may result in delays and interruptions to the completion of the property projects and thus, potentially affecting our reputation in the market.

9.1.5 Our business is capital intensive and is dependent on our ability to secure adequate financing

Our design and build construction projects and property development projects require substantial capital investment and as such, may cause us to generate negative operating cash flow when the cash outlay for land acquisition, project development and/or construction expenditures during a particular period, after taking into account changes in other working capital items, exceeds the cash inflow from property sales over the same period.

The availability of adequate financing is crucial to our ability to acquire land and/or to complete the development and construction of our design and build construction projects and property development projects according to plan. We rely on internally generated funds as well as external borrowings such as trade facilities, bank overdrafts, term loans and bridging loans to partially finance our working capital. If we are unable to secure adequate credit facilities at competitive rates for the abovementioned requirements, our cash flows, operations, growth and expansion plans may be adversely affected.

Socio-economic conditions with negative impacts, such as by the COVID-19 pandemic or economic downturn, may cause financial institutions to be more cautious in lending as businesses are expected to be impacted by dampened consumer sentiment and change in spending habits. This may affect our Group's borrowings in which we may not be able to secure credit facilities from financial institutions or that the credit facilities secured may not be sufficient to fund our purchases of landbank as well as construction costs.

Although our borrowings are not affected in FYE 2020 to 2022, there can be no assurance that it will not be affected in the future as a result of deteriorating market conditions or adverse socio-economic conditions.

9.1.6 Our Group is dependent on our Executive Directors and key senior management team

The success of our Group is dependent on the experience, industry knowledge and domain expertise of our Executive Directors and key senior management. Our Managing Director / Chief Executive Officer, Loke Theen Fatt has 45 years of experience in the property development and construction industries. Our Executive Directors, Stella Loke Pei Wen and Wilson Loke Choon Syn have 12 years and 11 years of experience respectively in the property development and construction industries.

Our Managing Director / Chief Executive Officer and Executive Directors have in-depth knowledge of our operations and is supported by our key senior management, comprising individuals who each have significant relevant experience in the property development and construction industries as well as within their respective field of expertise. Further details on the experience of our Executive Directors and key senior management are as set out in Sections 5.1.2 and 5.3.3.

Our Group's success is dependent on the continued service of our Executive Directors and key senior management. Due to their in-depth knowledge of our operations, as well as experience in the property development and construction industries, they are critical to the overall management and operations of our business and projects, our corporate culture and our strategic direction.

The success of our Group's businesses is further dependent on recruiting, retaining and developing highly skilled and competent people of all levels in our organisation. As such, the loss of any Executive Director and any of our key senior management simultaneously or within a short time, and if we are not able to replace or attract suitable talents in a timely manner, may create unfavourable or material impact on our Group's operations and the future growth of our business, which may ultimately affect the results of operations, performance and prospects of our Group.

9.1.7 Our construction works are dependent on the services of our subcontractors for timely completion and quality of our projects

While our Group undertakes the construction works, including construction planning and management, site preparation and earthworks and civil construction works, we may also outsource the said construction works to subcontractors as and when required. Our Group also engages subcontractors to carry out other aspects of construction works which our Group does not provide, such as groundworks and car park construction, metal and roofing works, interior aluminium and window works, painting and ceiling works, piling works, M&E works, sewerage works, tiling works, substation works and landscaping works.

Subcontractors are appointed following the shortlisting of candidates based on the project requirements, assessment of tenders submitted by the subcontractors, as well as our past working experience and relationship with the subcontractors. Upon finalisation of pricing, scope of works and bills of quantities, we will enter into formal contracts with the successful subcontractors.

For FYE 2020 to 2022, our total subcontractor costs accounted for approximately 58.1%, 54.2% and 68.8% of our Group's total purchases, and we had engaged 18, 21 and 32 subcontractors respectively. Notwithstanding our formal contractual relationships with our subcontractors, any failure of our subcontractor to fulfil their contractual obligations may lead to damages and penalties against our Group if we are unable to deliver vacant possession to end buyers in accordance to the agreement and/or pre-agreed schedule. Our design and build construction projects and property development projects may also experience delays and cost overruns, or poor-quality work attributed to our subcontractors. For FYE 2020 to 2022, our Group has not encountered incidences where our subcontractors failed to fulfil their contractual obligations which have had an adverse impact on our business operations and financial results.

In addition, our subcontractors are also subject to the rules and regulations governed by regulatory bodies such as CIDB and the Immigration Department of Malaysia (e.g. in relation to the employment of foreign workers) in the local construction industry. The non-compliance of these rules and regulations by the subcontractors may affect their renewal of relevant registrations or licences and/or may even lead to revocation of their registrations or licences. Consequently, this may adversely affect the construction progress of our design and build construction projects or property development projects. There is also no assurance that our Group will be able to appoint replacement subcontractors in a timely manner or at a cost that is favourable to our Group to complete the construction works which may, in turn, affect our business operations and financial performance.

9.1.8 Our Group is subject to fluctuations in the prices and shortages of construction materials

At the start of every project, we estimate our GDC based on factors such as land premium, cost of construction materials, borrowing costs and labour cost. The cost of construction materials is estimated based on quotations from our suppliers and subcontractors as well as our own cost estimations.

Our construction materials consist mainly of concrete and related products, hardware and related products, steel products, interior fitting and other construction materials which are required in our construction activities. As the cost of construction materials, in particular aggregates and crusher run, piles, ready-mix, cement and steel products may fluctuate during the construction period, we are exposed to the risk of such fluctuations in construction costs during the construction period. As properties are sold prior to their completion, we will not be able to pass any increase in costs to property buyers. As such, any increase in the cost of construction will increase our cost of sales and reduce our profit margin.

In FYE 2021 and 2022, there was a substantial increase in the prices of steel products and cement. This resulted in the increase in our construction costs which had, in turn, lowered our Group's profit margin. Although this had not affected the construction progress of our design and build construction projects and property development projects, there is no assurance that there will be no delays and interruptions to the completion of our construction works if similar incidences occur in the future. Further, if any delays are prolonged and we are unable to deliver the vacant possession to end buyers according to schedule, it may result in end buyers claiming LAD from us which may affect our profitability as well as cash flows.

In addition, we are dependent on the continuous supply of construction materials to carry out construction works. Shortages in construction materials may delay the timing of completion of our design and build construction projects or property development projects. There is no assurance that our Group will be able to source for similar construction materials from other suppliers in a timely manner or at a cost that is favourable to our Group to complete the construction works according to schedule. This will ultimately affect our Group's business, cash flow and financial performance.

9.1.9 Our operations are reliant on certain approvals, licences and permits, and we are also exposed to the risk of non-compliances

(a) Reliance on certain approvals, licences and permits for our operations

We are primarily involved in design and build construction services and property development activities which are supported by our in-house manufacturing of IBS components, of which our operations are bound by the rules and regulations set by the governing authorities such as the Ministry of Housing and Local Government, and CIDB who governs the registration of property developers and contractors respectively.

Under the CIDB Act, it is mandatory for all contractors who carry out or complete, undertake to complete any construction works or hold himself as a contractor in Malaysia to be registered and hold a valid certificate of registration issued by the CIDB. There are a total of 7 registration grades that determine the capacity of a contractor in tendering for the value of construction works, with Grade G7 being the registration grade that allows the contractor to tender for construction works that are of unlimited value and operate throughout Malaysia. We are currently a Grade G7 contractor registered with the CIDB which allows us to participate in tenders or undertake construction works of unlimited value. The Grade G7 registered contractor certificate issued by the CIDB is crucial to the continuity of our construction operations.

Housing developers with housing development in Sabah are regulated under the HDE 1978. The license issued to the housing developers thereunder may also be suspended or revoked and fines may be imposed if the housing developer carries on its business in a manner detrimental to the interest of the purchasers or to any member of the public or contravenes any of the provisions of HDE 1978.

The list of all our major approvals, licences and permits obtained for our business operations is set out in Section 6.7. Save for our manufacturing licence issued by MITI which is valid until it is revoked, the validity of these approvals, licences and permits are subject to renewal and in the event that we fail to comply with the rules and regulations issued by the governing authorities, our approvals, licences and permits in relation to our business operations may be revoked, suspended or not renewed. Similarly, any breach of these rules and regulations can result in penalties, fines and/or potential prosecution against us. Such revocation, suspension and/or non-renewal of our approvals, licences and permits will affect our ability to continue our business operations and hence affect our financial performance. Further, there can be no assurance that future applications by our Group for renewals of approvals, licences and permits will be approved, especially if there are changes to the present rules, guidelines, regulations and/or policies.

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(b) Risks of non-compliance as we carry out construction activities

Being involved in construction activities, our Group is bound by the laws and regulations relating to workplace safety and workers' health enacted or issued by the government bodies. The primary legislation and regulations that are applicable to our daily construction works are the Occupational Safety and Health Act 1994, the Factories and Machinery Act 1967, the Environmental Quality Act 1974 and the CIDB Act.

We are obliged to ensure that a healthy and safe working environment is provided especially at our construction sites. The Health, Safety and Environment ("**HSE**") risks include any accidents and injuries caused during the course of construction activities. Any failure to comply with the relevant HSE laws and regulations may result in penalties and/or closure of construction sites. In FYE 2020 to 2022 and up to LPD, our Group has not breached any workplace HSE matters which have adversely impacted our business operations and our existing operations are in compliance with the relevant laws and regulations.

In the event of severe accidents or injuries, it may lead to negative publicity of our Group, and/or liabilities and legal proceedings filed against our Group, and/or suspension of our licences, which will adversely impact our reputation, business operations and financial performance. Our operations may also be affected due to changes in HSE laws and regulations and the compliance with new laws and regulations may impose a significant cost to our Group. The non-compliance encountered by our Group in relation to our construction activities in the past 10 years are as set out in Section 6.11.

9.1.10 We may be involved in legal and other proceedings arising from our operations from time to time

We may be involved from time to time in disputes with various parties such as landowners, suppliers, subcontractors, consultants, authorities and other parties involved in the course of carrying out our provision of design and build construction services and property development activities, as well as with customers in the sale of properties. Costs, time and management resources would have to be diverted towards defending such claims should they arise. Such disputes and claims may lead to legal and other proceedings, administrative proceedings against our Group, and unfavourable decrees issued against our Group may cause us to suffer additional costs, delays and/or financial losses. Further details on our Group's litigation cases are as set out in Section 12.7.

We are unable to give any assurance that whenever disputes and claims arise, they will be settled on terms which are favourable to our Group or if such disputes and claims result in litigation or arbitration, such judgement, order or award will not adversely affect our business operations, financial condition, prospects and reputation.

9.1.11 Our Group may achieve lower than estimated GDV for our projects

The GDV of the projects developed by our Group is estimated based on market conditions as at the date of valuation. However, certain assumptions may ultimately prove to not be reflective of the prevailing market conditions at the point of sale of our properties. These assumptions include the demand for our properties and selling prices. Any unfavourable change in the basis of certain forecasts, projections and conditions of the property market may result in our Group not being able to realise our projected GDV and in turn, may have a material adverse impact on our Group's business, results of operations and prospects.

We have engaged, and will continue to engage, independent valuer(s) to value our on-going and future design and build construction projects and property development projects as and when required. The valuation certificates set out in Section 15 were made on the basis of certain forecasts, projections and conditions of the property market where our developments are located, prevailing at a particular point in time.

These conditions may change over time, as property values are subject to, amongst others, factors affecting supply of and demand for properties, the rate of economic growth of the country and interest rates. In particular, the uncertainties brought about by the COVID-19 situation have dampened market sentiment. According to the IMR Report, in 2020, the value of property transactions for both residential properties and shops in Sabah decreased by 26.3% and 41.7% respectively; while the volume of property transactions for residential properties and shops decreased by 25.9% and 41.9% respectively. The decline was due to the adverse economic impact arising from the COVID-19 pandemic in 2020 as the Government imposed nationwide movement restrictions to curb the spread of the COVID-19 virus had impacted economic activities and business operations. The property market in Sabah registered a recovery in 2021 whereby the value of property transactions for both residential properties and shops increased by 37.7% and 38.1% respectively; while the volume of property transactions for residential properties and shops increased by 20.7% and 57.9% respectively. The economy continued to grow with the national GDP expanding by 8.6% year-on-year in 2022. Similarly, the value of property transactions for both residential properties and shops in Sabah also recorded a year-on-year growth of 17.6% and 18.9% respectively in 2022. Hence, our Group is exposed to the risk that any future property launches may be impacted by adverse changes in market sentiment.

9.1.12 Our Group may not be able to acquire suitable landbanks to sustain our business operations and financial performance

As a property developer for our Group's own property projects, we rely on existing landbank as well as our ability to identify and acquire suitable landbank with development potential to deliver sustainable business operations and financial performance. Hence, we have to continuously identify and acquire suitable landbank for future development. As set out in Section 7.17.1, we have identified a parcel of land in Tuaran and have commenced negotiations with the landowner to acquire the land. Nevertheless, the acquisition of the said land at favourable terms (including but not limited to a pricing at commercially viable prices) and/or completing such acquisitions may be subject to factors beyond our control. Thus, there is no assurance that we will be able to successfully complete the acquisition of the said landbank. In such circumstances, we may need to seek for other acquisition and additional time may be required to do so.

Further, there can be no assurance that we will be able to continuously identify and acquire suitable landbank in strategic locations at commercially viable prices, or to secure opportunities to jointly develop land with landowners on commercially viable terms and with good development potential. Failure to do so would impair our ability to launch new property development projects, which in turn is likely to have a material and adverse effect on our Group's business, results of operations and prospects.

9.1.13 We may not be able to effectively manage our growth or successfully implement our business strategies

We intend to expand our Group's property development business through the acquisition of landbank for future projects in Sabah, further strengthen our market presence as an established property developer in Sabah, expand the production capability of our casting activities with the addition of a new IBS production line to produce hollow core slabs to supplement our existing range of IBS components manufactured, and upgrade our software and systems to further enhance our operational efficiency. Please refer to Section 7.17 for further details on our future plans and business strategies.

The success of achieving and implementing our business strategies relies on market conditions, sufficient financing resources and the efficiency of our business operations. There is no assurance that our business strategies will be successful or that the successful implementation of our business strategies will improve our earnings. Any failure to manage our business growth or execute our business strategies successfully may lead to adverse material effect on our business operations and financial performance.

In addition, our Group's on-going project, namely The Logg, comprises a hotel and commercial buildings (i.e. 2 levels of retail space featuring 45 units of retail outlets, 12 kiosks, 4 outdoor alfresco units as well as 3 levels of purpose-built offices). Our Group will be the owner of the hotel, Avani Luyang @ The Logg wherein our Group had engaged MHG, a hotel management service provider, to manage the operations of Avani Luyang @ The Logg. Further, our Group will also be the owner of the commercial building and will be involved in managing the operations and tenancy of the commercial building. The intention to own, manage and/or operate a hotel and a commercial building is part of our Group's plan moving forward to diversify our business activities. Nevertheless, this will subject our Group to risks associated with venturing into a new business and there is no assurance that our new venture will be successful or that the new venture will improve our earnings.

9.1.14 Our Group may be exposed to interest rate risks from exposure to borrowings

Our Group has been relying, and is expected to continue relying, on external debt financing to finance a substantial part of our design and build construction projects and property development projects as well as to fund our business growth. Our gearing ratio was 0.4, 0.5 and 0.4 times in FYE 2020 to 2022 respectively. As at FYE 2022, the bank borrowings of our Group stood at approximately RM53.3 million, with interest rates ranging from 3.6% to 8.5% per annum. If we are unable to secure adequate debt financing at competitive rates for our project requirements, our cash flows, operations, growth and expansion plans may be adversely affected.

We are also exposed to fluctuations in interest rates. Any future increase in interest rates will increase our Group's borrowing costs which may reduce our margins. These may result in a material adverse effect on our Group's cash flows and profitability. Higher interest rates may also affect our Group's planning and decision to obtain additional borrowings to fund new design and build construction projects and property development projects which may lead to delays in carrying out the development and construction of the projects.

In addition, the agreements for credit facilities may contain covenants which may restrict our future operating and financing flexibility and a breach of such covenants may result in the termination and/or enforcement of securities granted for the relevant credit facilities and/or cross default of all our credit facilities. Separately, there is also a risk of simultaneous demand for immediate repayment on our outstanding indebtedness; or tightening of credit facilities due to deteriorating market conditions arising from economic, financial, political and other reasons.

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

Due to the nature of our business which entails risks such as exposure to construction site accidents and fire, we maintain insurance at levels that are customary in our industry to protect against various losses and liabilities arising from our design and build construction projects, property development projects, material assets and our employees. The insurance policies maintained by our Group include contractors all risk policy (i.e. including fire, flood, theft and strike riot/civil commotion), workmen compensation policy, burglary insurance, fire insurance, motor insurance, and equipment and machinery insurance.

However, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations. Moreover, we will be subject to the risk that, in the future, we may not be able to maintain and/or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it may have a material adverse effect on our business, financial condition and results of operations. In FYE 2020 to 2022, our Group has not encountered incidences that have resulted in material insurance claims being submitted on our insurance policies.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 Our Group is subject to the prevailing market conditions in the property market in Malaysia and specifically in Sabah

As our design and build construction projects, property development projects and future landbanks are concentrated in Sabah, we are dependent on the prevailing market conditions of the property market in Malaysia and specifically, in Sabah, for the sales performance of our properties as well as the development planning of future projects. Further, our Group's business strategy is to continue strengthening our market position in Sabah where we currently operate.

The performance of the property market and value of properties in Malaysia and Sabah are affected by amongst others, the supply and demand of properties, rate of economic growth, interest rates as well as inflation in the property market. Other factors beyond our control such as changes in political environment or sudden outbreak of diseases (e.g. the outbreak of the COVID-19 pandemic in 2020) may also impact economic activities in Malaysia.

Any negative performance of the Malaysian economy may adversely impact the employment market and consumers' purchasing power, causing consumers to be more cautious in their spending and investments which may subsequently affect the demand for properties. Any slowdown in the property market arising from situations like these may adversely affect the value of properties in Malaysia.

There can be no assurance that the Malaysian economy will continue to grow, the value of properties will not be affected, interest rates or inflation will not rise and consumer spending power will not be affected in the future to support the demand for properties. Weak market sentiment as a result of adverse economic conditions may adversely affect the overall performance of the property market and value of properties, which may in turn affect the demand and value of the properties of our design and build construction projects and property development projects. Further, weak market sentiment may cause delays in the launching of our planned design and build construction projects and property development projects which may, in turn, adversely affect our Group's business, cash flow and sales performance. There can also be no assurance that our Group will be able to continuously benefit from future growth in the property market in Sabah.

9.2.2 Our Group is subject to the risk of unfavourable changes in regulatory policies affecting the performance of the property market and value of properties as well as political risk

The property market is subject to regulatory policies in Malaysia. Any adverse changes in regulatory policies in relation to the property market such as housing (e.g. introduction of regulatory measures to curb speculative investments), land and development policies, and prohibition of foreigners in purchasing certain properties in Malaysia may adversely affect the performance of the property market and value of properties in Malaysia. In addition, any restrictive policy changes by BNM such as upward changes in the overnight policy rate by BNM which increases interest rates for housing loans, and reduced loan-to-value ratios will subsequently restrict the purchasing ability of buyers. This would likely have a negative impact on consumer sentiment and purchasing power, and dampen overall demand for properties which may in turn affect the demand for the properties offered through our Group.

Any introduction of regulatory measures which dampen consumer sentiment or cause declines in value of properties may adversely affect our development planning decisions which include the types of property to develop and selling price of the properties, or may cause a delay in the timing of the launch of the planned property development projects, and ultimately will adversely affect our Group's business, cash flow and sales performance. As such, there can be no assurance that any future unfavourable changes in regulatory policies will not adversely affect our Group's business and results of operations in the future.

Further, any adverse changes in political conditions such as political uncertainties, war, terrorism activities and riots may adversely affect our Group's operations and financial prospects. There is no assurance that adverse political condition, which are beyond our control, will not adversely affect our Group's business.

9.2.3 We are exposed to competition within the property development market

Our Group competes with property developers ranging from privately owned companies to large public listed companies in Malaysia, primarily with property developers with presence in Sabah. These property developers may be involved in the development of various types of buildings such as residential, commercial, industrial and mixed development. Our competitors may have greater resources than us or have specialised expertise in certain segments. We also compete with our competitors in terms of location, price and rebates, facilities, surrounding amenities and connectivity.

Competition among property developers may intensify, possibly resulting in higher cost of acquiring new landbank, and higher cost to attract or retain experienced employees which will adversely affect our financial performance and prospects. Therefore, there can be no assurance that we will be able to continuously remain competitive and to sustain our competitive edge over the long term. Competition from other property developers may reduce our market share thereby affecting our market position and 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 or continue be developed upon or subsequent to our Listing.

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 upon or subsequent to our Listing.

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 occur:

(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.

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

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

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

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after our IPO

Our Promoters will collectively hold approximately 74.4% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have a deciding vote on the outcome of (i.e. to approve or reject) certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.