
8. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE INVESTING IN OUR COMPANY.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 We are dependent on export markets and a major customer

We are dependent on export markets as a majority of our sales are derived from overseas customers. In the Financial Years Under Review, our export sales contributed approximately 78.32%, 77.15% and 73.90% to our Group's revenue respectively. Any unfavourable changes in economic, political and/or legal environments in countries which we export our products to, may result in a decrease in the demand for our products and may materially affect our financial performance. Please refer to Section 8.2.3 of this Prospectus for further details on our exposure to risks relating to the economic, political and/or legal environment in the markets in which we export our products to.

Further, we are dependent on a major customer, namely Customer A group of companies which contributed approximately 50.95%, 46.90% and 33.77% to our Group's revenue for the Financial Years Under Review respectively. Customer A group of companies have been our customer since 2006, where we supply precision engineering components to them for application in the photonics industry. Please refer to Definitions and Section 6.16 of this Prospectus for further information on Customer A group of companies.

As we are dependent on Customer A group of companies, any substantial delay in the receipt of orders or decrease in the value of orders from Customer A group of companies could have an adverse effect on our financial performance. Further, as we do not enter into any long-term contracts with our customers, including Customer A group of companies, there is no assurance that Customer A group of companies will continue to purchase our products in the future or that demand from them will be sustained at the current level in the future. In the event Customer A group of companies cease to purchase our Group's products and services, we may experience a reduction in sales which could result in a loss of revenue and our Group's financial performance may be adversely affected, if we are unable to replace Customer A group of companies with new customers or with additional orders from existing customers in a timely manner.

Our ability to continue securing sales from our existing customers is dependent on several factors, including our ability to meet these customers' specifications and requirements, competitive pricing, timely delivery of products, as well as continued customer service. Nonetheless, in the event that we are able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and/or maintain/improve our profit margins. If such adverse events occur, our financial performance will be adversely affected.

Further, the demand for our products is also dependent on the demand from the end-user markets for our customers' products. The changes in end-user markets of our customers may be influenced by factors including, amongst others, the state of the economy, political and regulatory environment, spending trends, and demand for their products. If the demand for our customers' products decreases, the production activities of our customers are also likely to decrease, leading to lower demand for our products and services. Accordingly, a decline in demand from our customers' end-user markets may adversely affect our financial performance.

8. RISK FACTORS (CONT'D)

8.1.2 We are subject to foreign exchange fluctuation risks which may impact the profitability of our Group

We are exposed to the risk of foreign exchange fluctuations as our export sales and some of our local sales are transacted in foreign currencies. Our local sales which are transacted in foreign currencies, mainly USD, are generated from multinational corporations located in Malaysia.

In the Financial Years Under Review, our export sales and local sales which are denominated in foreign currencies accounted for approximately 82.38%, 79.16% and 77.19% of our Group's revenue respectively.

In the Financial Years Under Review, more than 90% of our purchases are denominated in RM; hence, our exposure to foreign exchange transaction risk for our purchases is minimal.

Our revenue breakdown transacted in RM and foreign currencies in the Financial Years Under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
RM	19,947	17.62	30,117	20.84	21,290	22.81
USD	90,049	79.55	110,441	76.42	63,385	67.91
EUR	616	0.54	851	0.59	5,884	6.31
GBP	1,756	1.55	2,264	1.57	2,015	2.16
Japanese Yen (JPY)	320	0.28	319	0.22	638	0.68
SGD	519	0.46	512	0.35	123	0.13
Swiss franc (CHF)	-	-	11	0.01	-	-
Total	113,207	100.00	144,515	100.00	93,335	100.00

We are exposed to foreign exchange transaction risk, mainly arising from our revenue exposure to USD, representing approximately 79.55%, 76.42% and 67.91% of our total revenue in the Financial Years Under Review respectively.

For illustration purposes, assuming the exchange rate between the USD and RM fluctuates by 5.00%, this will result in an increase or decrease in our Group's PAT for the FYE 2023 by approximately RM1.89 million, depending on the strengthening or weakening of the USD against RM. Please refer to Note 29(c) of the Accountants' Report in Section 12 of this Prospectus for further details of the sensitivity analysis to the Group on the change in the USD, EUR and GBP exchange rate against RM.

We do not use any financial instrument to hedge our exposure against transactions in foreign currency. As such, our revenue denominated in foreign currencies is subject to foreign exchange fluctuation risk, especially USD, as more than 67.00% of our revenue in the Financial Years Under Review were denominated in USD. Please refer to Section 11.3.4(i) of this Prospectus for further details on the impact of fluctuation in foreign exchange on our financial performance in the Financial Years Under Review.

8. RISK FACTORS (CONT'D)

8.1.3 We are dependent on our Managing Director, Executive Director and Key Senior Management for the continued success and growth of our business

The future growth and continuing success of our Group largely depend on the continuous contributions and involvement of our Managing Director, Executive Director and Key Senior Management. Our Managing Director, Ng Chay Chin, and Executive Director, Chong Ewe Hean, who have approximately 30 years and 31 years of experience in the precision engineering components manufacturing industry respectively, are responsible for steering the overall strategic direction of our Group. With their experience as well as technical and industry knowledge in the precision engineering components manufacturing industry and our business, they play a pivotal role in formulating and implementing business strategies and policies to drive the future development and growth of our Group. Further, our Key Senior Management are equipped with the relevant knowledge and skills in their respective fields of work to ensure a smooth operation of our business. Please refer to Sections 4.1.2 and 4.5.2 of this Prospectus for the profiles of our Managing Director, Executive Director and Key Senior Management.

We recognise that our Group's continuing success and future growth depend significantly on the capabilities and efforts of our Managing Director, Executive Director and Key Senior Management. Therefore, the loss of any of our Managing Director, Executive Director and Key Senior Management simultaneously or within a short period of time may have an unfavourable impact on our Group's operations and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our Managing Director, Executive Director and Key Senior Management in a timely manner, this may affect the results of operations, financial performance and prospects of our Group.

8.1.4 We are dependent on our engineering managers and technicians

Our Group is dependent on our engineering managers and technicians to perform our business operations. Our engineering managers are involved in leading the process engineering and continuous improvement of our machining and manufacturing process. Our technicians, who are also part of our engineering team, are mainly involved in setting up the machinery for the production of precision engineering components, as well as performing upkeep on our machinery, tools and equipment. Our engineering managers' expertise in process engineering and their in-depth industry knowledge, together with our technicians' technical know-how, allow us to adapt to changing requirements quickly by developing or adjusting manufacturing processes accordingly whilst maintaining the quality of our products, which is one of the key factors in driving our business growth over the years.

We compete with other industry players within the precision engineering industry in Malaysia and other engineering support industry segments to recruit and retain engineering managers and technicians. The loss of a substantial number of our Group's engineering managers and technicians simultaneously or within a short period of time without any suitable or timely replacements, or our inability to attract or retain competent engineering managers and technicians, may adversely affect our ability to compete and grow in the precision engineering industry.

Although we have not previously faced any shortage of engineering managers or technicians that may have led to major disruptions to our operations, there can be no assurance that we will be able to recruit, develop and retain an adequate number of engineering managers and technicians to support the future growth and expansion of our Group.

8. RISK FACTORS (CONT'D)

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

We plan to grow our Group's business by expanding our production capacity, through our future plans and business strategies as follows:

- (i) expand production capacity by constructing the New Factory; and
- (ii) purchase new CNC machines to support our production capacity expansion.

Please refer to Section 6.5 of this Prospectus for further details of our future plans and business strategies.

The execution of our future plans and business strategies is subject to additional expenditure, such as capital expenditure, operational expenditure and other working capital requirements. Such additional expenditure may adversely affect our profit margin if we are unable to secure sufficient sales following the implementation of these future plans and business strategies. Furthermore, the implementation of these plans and business strategies may be influenced by factors beyond our control, such as changes in general market conditions, economic climate as well as political environment in Malaysia and other countries in which we export our products to, which may affect the commercial viability of our plans and business strategies. The implementation of these plans and business strategies could also be adversely affected by a variety of other factors such as more efficient manufacturing process adopted by our competitors or more attractive pricing offered by our competitors, which may affect the attractiveness of our products.

Hence, there can be no assurance that the effort and expenditure spent on the implementation of our future plans and business strategies will yield the expected results in growing our business in terms of financial performance and market presence. We are also not able to guarantee that we will be successful in executing our future plans and business strategies, nor can we assure that we will be able to anticipate all the business, operational and industry risks arising from these future plans and business strategies. Such failure may lead to an adverse effect on our business operations and financial performance.

8.1.6 The absence of long-term contracts with our customers may result in the fluctuation of our Group's financial performance

We do not enter into any long-term contracts with our customers as our customers generally purchase precision engineering components from us by way of purchase orders. The absence of long-term contracts is mainly due to the nature of our business where we focus on HMLV manufacturing to manufacture unique and complex components with specific quality requirements and in small quantities. The precision engineering components that we manufacture are subject to customers' changing requirements and technical specifications depending on the changes in, amongst others, their products and/or assembly process; hence, the purchase orders from our customers may vary from time to time.

As we do not have any long-term contracts with our customers, we are exposed to the risk of losing our customers as they are not obliged to purchase precision engineering components from us. In the event of a loss of any of our customers, particularly our major customers, as well as being unable to secure additional sales from existing customers or secure new customers in a timely manner, our financial performance may be adversely affected.

While our Group continuously seeks to ensure customers' satisfaction by continuously improving our product quality, maintaining and strengthening existing business relationships as well as establishing relationships with new customers to grow our clientele base, any external factors such as adverse economic conditions, significant price reductions by our competitors or a slowdown in the demand for precision engineering components in the customer industries that we serve, may negatively impact our sales in view of the absence of long-term contracts, which will subsequently negatively impact the financial performance of our Group.

8. RISK FACTORS (CONT'D)

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

We rely on a diverse range of machinery and equipment to manufacture precision engineering components. These machinery and equipment may, on occasion, be out of service due to unanticipated failure or damage sustained during operations. Our business is also subject to loss due to events that are beyond our control such as fire, which may cause damage or destruction of all or part of our manufacturing facilities and machinery and equipment, resulting in interruptions to, or prolonged suspension of our operations.

Further, our business operations may also be affected by the occurrence of unexpected power failure and adverse weather conditions or natural disasters such as floods or storms, which may lead to interruptions to the operations at our manufacturing facilities and/or damage to our machinery and equipment. In addition, any occurrence of force majeure events such as war, strikes and/or riots may prohibit us from performing our operations. The occurrence of these unexpected events may affect our ability to meet the agreed upon delivery schedule with our customers.

Moreover, the outbreak of infectious diseases such as COVID-19 may cause disruptions to our business activities due to possible imposition of movement restrictions by the Government as a containment measure to curb the spread of the virus. This may result in an adverse impact on our financial performance, as our business operations may be temporarily suspended. Further, any large-scale outbreak or pandemics may result in interruptions to global business and economic activities, which may consequently lead to closure of businesses and eventually causing disruptions in the global supply chain. This may affect our business activities adversely, as we may experience delays from our suppliers and delays in fulfilling our customers' orders. Please refer to Section 6.18 of this Prospectus for details on the disruptions to our Group's business activities caused by the COVID-19 pandemic during the Financial Years Under Review.

In the event we have to halt our operations due to the abovementioned incidences, we will still be required to incur certain operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time. As such, there is no assurance that we will be able to record profits or have sufficient funds for our operations to recover from the damages caused by such events. In the Financial Years Under Review and up to the LPD, save for the temporary disruptions of our business operations as disclosed in Section 6.18 of this Prospectus, we have not experienced any major interruptions to our business operations caused by unexpected equipment failures, fire, natural disasters, force majeure events and/or outbreak of infectious diseases. Notwithstanding this, there is no assurance that we will not encounter such events and our business operations and/or financial performance will not be adversely affected should such events occur in the future.

8.1.8 We are exposed to credit risk and default payment by customers

In FYE 2023, we grant our customers a credit period of 30 days to 120 days upon the delivery of goods. In the event of not receiving payment within the credit period or a default in payment by our customers, our operating cash flows or financial results may be adversely affected. Further, it may also lead to impairment losses on trade receivables or the writing-off of trade receivables as bad debts, which may adversely affect our financial performance.

8. RISK FACTORS (CONT'D)

Our net impairment gain/(loss) on trade receivables for the Financial Years Under Review were as follows:

	Audited		
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Net impairment gain/(loss) on trade receivables	(230)	(966)	50

Please refer to Sections 11.3.3(v) and 11.4.8(i) of this Prospectus for further details on our net impairment gain/(loss) on trade receivables as well as trade receivables turnover period for the Financial Years Under Review respectively.

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

We maintain insurance at levels that are customary in the industry to protect against various losses and liabilities such as fire, theft, armed robbery, machinery breakdown, amongst others. As at the LPD, we have the following insurance policies for our operations:

Type of insurance policies	Sum insured RM'000
Fire	72,724
Machinery breakdown	850
Theft, armed robbery or holdup	3,700
All risks	62,276
Public liability	2,000
Employers' liability	500
Personal accident	16,400
Total	158,450

Nonetheless, the insurance policies we have purchased are subject to limitations and exclusions of liability in terms of events that occur as well as the amount insured. As such, our Group's policies may be inadequate to cover all losses or liabilities suffered due to the occurrence of any unexpected events in the future. If our insurance policies are unable to cover the full losses or liabilities suffered, we may experience an adverse effect on our financial performance.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business operations and financial performance.

8.1.10 We are exposed to regulatory compliance risk

We are exposed to regulatory compliance risk as our business operations are subject to various laws, regulations and rules. Please refer to Annexure B of this Prospectus for further information of our Group's major approvals, licences and permits.

8. RISK FACTORS (CONT'D)

Our major approvals, licences and permits are subject to compliance with the relevant laws, regulations, and requirements (including conditions imposed by the various issuing bodies). In the event of non-compliance by our Group, these approvals, licences and permits may be terminated, revoked or may not be renewed upon expiry. Notwithstanding our internal process are in place to monitor and ensure continuous compliance with the respective conditions imposed by the relevant authorities (if any) as well as to monitor the validity of our approvals, licences and permits (if any), there can be no assurance that we will be able to comply with the conditions imposed or we will be able to renew these licences, permits and approvals in a timely manner. Failure to do so may adversely affect our business operations and our future financial performance.

In addition, as disclosed in Note (i) of Annexure B of this Prospectus, NE Components, NE Integrated and NE Technologies have yet to comply with one of the conditions of their manufacturing licences, namely total full-time workforce shall comprise at least 80% Malaysians by 31 December 2024. There is no assurance that NE Components, NE Integrated and NE Technologies will be able to meet such condition by 31 December 2024. In the event such condition is not met by 31 December 2024 and there is no further extension of time granted by MITI, MITI may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and/or revoking our manufacturing licences for any breach or non-compliance of the condition. Our Group's operations and financial performance will be materially affected if the manufacturing licences of NE Components, NE Integrated and NE Technologies are revoked. As at the LPD, save as disclosed above, we have complied with the relevant laws, regulations and requirements that apply to our major approvals, licences and permits.

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

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

If adequate funding is not available when needed, or is available only on unfavourable terms, meeting our capital needs or otherwise taking advantage of business opportunities or responding to competitive pressures may become challenging, which could have a material and adverse effect on our business, financial condition and results of operations.

Please refer to Section 11.4.3 of this Prospectus for further details on our borrowings.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are dependent on the availability of manual labour, including foreign workers for our manufacturing activities

While we rely on machines to carry out precision machining to manufacture precision engineering components, we are still dependent on manual labour to carry out some processes such as visual inspection, surface finishing and packaging. Amongst our employees under the Production and QA & QC departments, local employees accounted for approximately 23.10% whereas foreign employees accounted for approximately 76.90% as at the LPD. Please refer to Section 6.21 of this Prospectus for more information on our number of foreign workers according to business functions.

8. RISK FACTORS (CONT'D)

The outbreak of COVID-19 pandemic in Malaysia beginning early 2020 led to a slowdown in the manufacturing sector; and from the imposition of movement restrictions on 18 March 2020 until the re-opening of applications for the hiring of foreign workers on 15 February 2022, foreign workers were not allowed to enter Malaysia. During the period of hiring freeze for foreign workers, our Group experienced a shortage of manual labour as we were unable to hire foreign workers. On 14 June 2022, we received approval from the Ministry of Human Resources to hire and bring in foreign workers from their home countries. As at the LPD, our Group has a sufficient workforce of 91 local and 303 foreign employees to support our manufacturing activities.

Should there be any re-imposition of the hiring freeze for foreign workers in the future, it may affect our Group's manufacturing activities due to the reduced workforce capacity. In such circumstances, we will be required to hire local workers which may result in our Group having to incur higher labour costs, which may have an impact on our financial performance.

8.2.2 We are exposed to fluctuations in raw materials prices and shortages of raw materials

The raw materials used in our manufacturing activities are aluminium, copper, stainless steel, carbon steel and plastics. In the Financial Years Under Review, raw materials constituted approximately 51.76%, 52.37% and 42.43% of our Group's total purchases respectively. Please refer to Section 6.10 of this Prospectus for the breakdown of our purchases of supplies and services in the Financial Years Under Review.

The prices of raw materials such as aluminium, copper, stainless steel, carbon steel and plastics are subject to price fluctuations as a result of, amongst others, global demand and supply conditions, as well as global and regional economic conditions (e.g. the COVID-19 pandemic and uncertainties arising from the sanctions on Russia). Please refer to the IMR Report in Section 7 of this Prospectus for details on fluctuations of raw material prices. Our Group generally has been able to pass on any increase in cost, due to fluctuations in the prices of raw materials, to our customers. However, there is no assurance that we will be able to continue passing on the increase in cost to our customers. As such, failure to pass on the increase in cost to our customers may result in a substantial increase in our cost of sales, thus affecting our financial performance.

In addition, the nature of our operations requires us to obtain sufficient quantities of raw materials in a timely manner and at acceptable prices in order to continue our operations and meet the demand from our customers. While we have not encountered any shortages of raw materials in the Financial Years Under Review, there is no assurance that such incident will not occur in the future. Any sudden shortages of raw materials may affect our business operations and that there is no assurance that we will be able to obtain raw materials from new suppliers in a timely manner or at reasonably acceptable prices. In the event that we are required to pay higher cost to new suppliers for these raw materials and that we are unable to pass on the increase in cost to our customers in a timely manner, it may adversely affect our financial condition and results of operations.

8.2.3 We are subject to the risks relating to the economic, political and/or legal environment in the markets in which we export our products to

Notwithstanding that we principally operate in Malaysia, our revenue is mainly derived from export sales. In the Financial Years Under Review, our export sales accounted for approximately 78.32%, 77.15% and 73.90% of our total revenue respectively. As we continue to expand our business, our financial performance and results of operations will continue to be subject to the economic and political conditions in the countries where we transact business. For example, any increase in import tariffs of precision engineering components due to economic and political conditions in the countries where we export our products may result in a decrease in demand for our products due to increased pricing, and this may adversely affect our financial performance.

8. RISK FACTORS (CONT'D)

In particular, exports to customers in the USA were the largest contributor to our Group's revenue in the Financial Years Under Review. Sales to customers in the USA amounted to approximately 48.34%, 39.84% and 32.78% of our Group's revenue in the Financial Years Under Review respectively. As such, we are exposed to concentration risk arising from our exports to the USA. Notwithstanding that we have not encountered any circumstances that had negatively affected our exports to the USA in the Financial Years Under Review, there is no assurance that any changes in the economic, political and/or legal environment in the USA and global trade conditions, if any, will not affect our exports to the USA in the future. While we may be able to continue exporting our products to other countries in the event that our exports to the USA were to be affected, there is no assurance that we will be able to secure additional sales from our existing customers and sales from new customers in a timely manner to replace the lost in sales to our customers in the USA. This could result in a loss of revenue and will have an adverse impact on our financial performance.

8.2.4 We face competition from other industry players

According to the IMR Report, the precision engineering industry in Malaysia is competitive with substantial barriers of entry as high initial capital and operating costs are required for new players to enter the industry. We generally compete with other industry players in terms of technical capabilities, pricing, quality of products and services, delivery timing and manufacturing capabilities. Please refer to the IMR Report in Section 7 of this Prospectus for further details on the competitive landscape of the precision engineering industry.

Our current and potential customers have the option of ordering precision engineering components from other industry players. As such, the competition that we face from other industry players may impact our revenue and profitability as we may be forced to be more price competitive in order to secure sales orders from existing and new customers. Failure to remain competitive may result in, amongst others, adverse effects, reduction in revenue and/or profit margins, loss of existing customers and/or failure to secure new customers, which may in turn adversely affect our financial performance and growth prospects.

8.2.5 We may not be able to adapt to technological developments in our industry

Our Group is principally engaged in the manufacturing of precision machined components that are used in the photonics, E&E, semiconductor, telecommunication and optoelectronics industries. As such, our business is subject to technological changes such as, amongst others, the engineering expertise and machining technology required in the manufacturing of precision engineering components for our customers' industries. In the event we fail to keep pace with these technological changes and do not remain technologically competitive, we may not be able to retain our existing customers or attract new customers and our operations and financial performance may be adversely affected.

As such, our future success is dependent on our ability to adapt to the changing technological developments whilst maintaining the quality of our products and continuously improving our manufacturing efficiency in a timely manner.

There can be no assurance that our adoption of new and relevant technologies, as well as our manufacturing and engineering capabilities, can be successfully developed in time to adapt to technological developments to meet our customers' expectation.

8. RISK FACTORS (CONT'D)

8.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

8.3.1 No prior market for our Shares

Prior to our Listing, there has been no prior public market for our Shares. Hence, we cannot assure you that upon our Listing, an active market for our Shares will develop, or if developed, such a market can be sustained. There is also no assurance that there will be a liquid market for our Shares traded on the ACE Market. Please refer to the cautionary statement disclosed in the cover page of this Prospectus.

Notwithstanding that the IPO Price was determined after taking into consideration of various factors such as our financial and operating history and our future plans and business strategies, we cannot assure you 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.

8.3.2 The trading price and trading volume of our Shares may be volatile

Economic, political conditions and growth potential of the various sectors of the economy as well as external factors such as the performance of regional and global stock exchanges and the inflow or outflow of foreign funds contribute to the volatility of trading price and volumes of our Shares on Bursa Securities. The market price of our Shares may fluctuate significantly and rapidly due to, amongst others, the following factors, some of which are beyond our control:

- (i) general operational and business risks of our Group;
- (ii) variations in our financial results and operations;
- (iii) failure of our Managing Director, Executive Director and Key Senior Management in implementing business and growth strategies;
- (iv) departures of our Key Senior Management;
- (v) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (vi) changes in market valuations of listed shares in general or share prices of companies with similar businesses to our Group;
- (vii) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events and factors;
- (viii) fluctuations in stock market prices and volumes;
- (ix) changes in government policy, legislation or regulation; and/or
- (x) involvement in claims, litigation, arbitration or other forms of dispute resolution.

Accordingly, there can be no assurance that the market price of our Shares will not be subject to volatility or trade at prices below the IPO Price.

8. RISK FACTORS (CONT'D)

8.3.3 The interest of our Promoters who control our Company may not be aligned with the interest of our shareholders

Our Promoters will collectively hold an aggregate of 452,821,608 Shares, representing approximately 61.19% of our enlarged issued share capital upon our Listing. As a result, they will be able to effectively control the business direction and management of our Group, including the election of Directors, the timing and payment of dividends as well as having substantial voting control over our Group. As such, our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they and persons connected with them are required to abstain from voting either by law, relevant guidelines or regulations. Therefore, there may be a risk of non-alignment of interests by our Promoters with those of our other shareholders.

8.3.4 Possible sale of a substantial number of Shares in the public market following our IPO could adversely affect the price of our Shares

Upon the completion of our IPO and Listing, our Promoters will collectively hold an aggregate of 452,821,608 Shares, representing approximately 61.19% of our enlarged issued share capital.

It is possible that our Promoters may dispose of some or all of their Shares after the Moratorium Period, pursuant to their own investment objectives. If our Promoters sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price for our Shares could be adversely affected.

8.3.5 There may be a delay in or termination of our Listing

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

- (i) our Sole Underwriter exercises its rights under the Underwriting Agreement or our Sole Placement Agent exercises its rights under the placement agreement to discharge itself from its obligations thereunder;
- (ii) we are unable to meet the public shareholding spread requirement under the Listing Requirements of having at least 25.00% of our enlarged issued share capital, for which our Listing is sought, being in the hands of at least 200 public shareholders holding not less than 100 Shares each at the point of our Listing; and/or
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

Although we endeavour to comply with the various regulatory requirements, in any event these events as mentioned above occurs, the 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 shall apply. Our Company 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 upon expiration of that period until the full refund is made.

If our Listing is aborted/ terminated and our Shares have been allotted to the investors, all monies paid in respect of all applications for our IPO Shares will be refunded to the investors only by way of cancellation of share capital as provided under Sections 116 and 117 of the Act and its related rules.

8. RISK FACTORS (CONT'D)

Such cancellation requires the approval of the shareholders by special resolution in a general meeting, the consent of our creditors (if required), with the sanction of the High Court of Malaysia or with notice to be sent to the Director General of the Inland Revenue Board and Registrar of Companies within 7 days of the date of the special resolution and 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.

Nonetheless, our Board will endeavour to comply with the various regulatory requirements, including, inter alia, public shareholding spread requirements for our Listing. However, there can be no assurance that the abovementioned factors/ events will not cause a delay in or non-implementation of our Listing.

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