

5. RISK FACTORS

An investment in our Shares involves a number of risks, many of which are beyond our control. You should carefully consider all the information contained in this Prospectus, including the risks described below, before deciding to invest in our Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

5.1 RISKS RELATING TO OUR BUSINESS

5.1.1 We require licences, permits and approvals from relevant government authorities and regulatory agencies for our operations, and we may be materially and adversely affected if our licences, permits and approvals are revoked, suspended or not renewed

We require and hold numerous licences, permits and approvals issued by various government authorities and regulatory agencies, and these licences, permits and approvals are essential for the conduct of our business and operations. See Annexure A of this Prospectus for further details on our major licences, permits and approvals, including the applicable authorities, expiration dates and status of compliance.

These licences, permits and approvals are generally for a specified period of time and are subject to a variety of conditions which are either stipulated within the licences, permits and approvals themselves or under the particular legislation and/or regulations governing the issuing authorities. Certain of these licences, permits and approvals need to be renewed on a periodic basis or reassessed by the relevant regulatory authorities. Further, regulations of the issuing authorities may become more stringent from time to time and it may be costly for us to comply with the terms and conditions of these licences, permits and approvals. Should there be any subsequent modifications of, or additions or new terms and conditions to the current compliance standards, we may incur additional costs to comply with the modified, additional or new standards which may materially and adversely affect our profitability. Any breach or material non-compliance with such regulations may result in the suspension, withdrawal or termination of the relevant licences, permits and approvals, financial penalties, imprisonment or cessation of our operations.

During the 12-month period prior to the LPD we have not faced any suspension, withdrawal or termination of our licences, permits or approvals, financial penalties or cessation of our operations which materially and adversely affected our business, financial condition, results of operations or prospects.

While we have not encountered any issues in renewing or obtaining any of our major licenses, permits and approvals, there can be no assurance that we will be able to renew these licences, permits and approvals in the future, that we will be able to fulfil any existing or new terms or conditions that may be imposed, or that we will not be subject to suspension, withdrawal or termination of our licences, permits and approvals, despite our best efforts to maintain high standards. Any such failure to obtain or secure the renewal or, or any loss of, a required licence, permit or approval would materially and adversely affect our business, financial condition, results of operations and prospects.

In particular, the temporary occupation licence ("TOL") over the land on which the water retention pond, water pumphouse and water pipeline for our factory in Teluk Intan is required to be renewed annually until 31 December 2025. There can be no assurance that we will be able to renew the TOL in a timely manner or at all. In the event that we are unable to renew the TOL, we may not be able to obtain the water supply we require for our operations. This may result in disruptions to or a cessation of our operations and have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)**5.1.2 We may be materially and adversely affected if the certifications for any of our products are revoked or not renewed or if we are unable to obtain the relevant certifications for new products**

We are required to obtain certification by government authorities and regulatory agencies before making any claims regarding our products and to sell our products both domestically and for export to other countries. For example, in order to sell certain medical examination gloves to the United States, the product must be certified by the FDA. Such certification indicates that the product meets the relevant testing requirements and quality standard that applies to that type of product. In addition, certain of our products are required to be certified for a particular use, such as for handling certain chemotherapy drugs or for other medical purposes. Among others, our chemotherapy drugs handling gloves have been certified by the FDA for marketing and distribution in the United States as "chemo gloves", based on the list of drugs which have been tested.

Certain of these certificates need to be renewed on a periodic basis or reassessed by the issuing authorities. We may not be able to obtain such renewal if we are unable to fulfil any new regulations, terms and conditions, compliance standards or any of the existing regulations, terms and conditions or compliance standards. Further, regulations, terms and conditions or compliance standards of the issuing authorities may become more stringent from time to time. We have to consistently monitor and ensure our compliance with such regulations. The certification process is also lengthy. If we are unable to renew the existing certifications for our products or fail to comply with any such regulations resulting in the revocation of any of the certifications for any of our products or fail to obtain the relevant certification for new products in time or at all, we may not be able to sell the product to a particular market with the same claims and our business, financial condition, results of operations and prospects may be materially and adversely affected.

5.1.3 We may be materially and adversely affected by events relating to the COVID-19 pandemic or other epidemics or pandemics

We have faced and may in the future face disruptions to our operations and our manufacturing activities due to the COVID-19 pandemic or other epidemics or pandemics or other health factors. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. The COVID-19 pandemic has disrupted the global economy and resulted in travel and transportation restrictions; prolonged closures of workplaces, businesses and schools; significant strains on national health systems; general lockdowns and social distancing measures in numerous countries; increased volatility in international capital markets; and many other, related consequences. Given the uncertainties as to the development of the COVID-19 pandemic, it is difficult to predict how long these conditions will persist and the extent to which we may be affected by these conditions.

As a result of the outbreak of COVID-19 and since the implementation of the MCO beginning on 18 March 2020, we have been required to implement various restrictions and other obligations on our operations at our manufacturing facility and workers' hostels to combat the spread of COVID-19, such as social distancing measures and strict hygiene requirements. These restrictions and obligations have also applied under the CMCO and RMCO phases. See Section 7.18 of this Prospectus for further details on the measures we have implemented to protect the health and safety of our workers. We were not required to close or suspend our operations pursuant to the MCO, CMCO or RMCO, as our business was deemed to be "essential".

5. RISK FACTORS (Cont'd)

In February and March 2021, we suspended operations at our manufacturing facility because of the occurrence of confirmed cases of COVID-19 amongst our workers at our facility. We detected the first case of COVID-19 in early February 2021 and immediately began testing our workers and quarantining those who had had close contact with confirmed cases. We also worked closely with the local district health authority with regard to contact tracing, quarantine arrangements, health assessments and received advice from them on how to address the situation, and we engaged a medical services provider to conduct RTK-Ag tests and PCR tests on all of our workers. Based on the results of this mass screening, we proactively decided to suspend our manufacturing operations from 15 February 2021.

Subsequently, the MOH, together with the local authorities, imposed an EMCO on us from 22 February 2021 through 7 March 2021, which required us to suspend all operations at our manufacturing facility and the construction site where our new worker hostel is under construction, test all of our workers and quarantine those who tested positive. The authorities subsequently lifted the EMCO on 8 March 2021, further to their assessment, at which point we began resuming operations in phases, with reinforced health and safety measures. We achieved a daily production output in terms of number of gloves produced that was equal to pre-suspension levels by 13 March 2021. See Sections 7.18.2 to 7.18.4 of this Prospectus for further information on this business interruption.

This business interruption resulted in a reduction in the number of gloves we produced by approximately 628 million pieces, which is approximately 5% of our total annual installed capacity for FYE 31 December 2021, and in delays in shipments and deliveries and fulfilling our customers' purchase orders. In addition, we incurred direct expenses amounting to approximately RM6.3 million in addressing the situation, primarily for hotel accommodations for our workers, one-time payments paid to all of our workers (except senior management) to assist them with meeting some of the financial burdens imposed by the COVID-19 pandemic, swab tests and other medical expenses. As a result, we expect the interruption to have an adverse effect on our projected revenues and PAT for FYE 31 December 2021. In addition, there can be no assurance that our customers will not seek to source their gloves from other manufacturers in the market. We have taken substantial additional precautions and put in place wide-ranging measures in response to the situation, including testing protocols, quarantine accommodations and general crisis management procedures, for which we expect to incur ongoing expenses and which could limit our manufacturing operations in the future. See Section 7.18.4 of this Prospectus for more information about these responsive measures.

5. RISK FACTORS (Cont'd)

Notwithstanding all of our precautions, there can be no assurance that we will not encounter a similar COVID-19 outbreak at our facilities in the future. We expect that, in such an event, we would again be required to shut down our manufacturing facility, quarantine our workers, conduct additional testing of all of our employees and take additional responsive measures. We also expect that we would only be permitted to reopen our manufacturing facility or workers' hostels after obtaining approval from the relevant authorities and satisfying all of their requirements, which, we expect, would take at least 10 days (the required quarantine period at the LPD) or such other period as imposed by the relevant authorities at that time. In addition, we may need to hire additional staff to support our operations at our manufacturing facility. Any such disruption could adversely affect our glove production and our ability to meet our customers' orders, on time or at all, in particular because we only operate a single manufacturing facility, at a single location, and would be unable to shift production to other facilities. We cannot assure you that our critical systems and operations would be restored in a timely manner or at all. If such a disruption were prolonged, it could lead to significant loss of business and revenue for us and could irreparably harm our relationships with our customers, which would have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, such a disruption could materially harm our reputation and expose us to legal claims.

As the COVID-19 pandemic is ongoing and evolving, we could also experience additional disruptions to our business in the future if the COVID-19 pandemic becomes more severe or protracted and if more stringent governmental measures, such as the MCO, RMCO, CMCO or any similar restrictions, are imposed, extended or enhanced. The current pandemic or a future outbreak of infectious disease in Malaysia or any other country where our operations, customers or suppliers are based, and any regulatory measures or restrictions taken in response to an outbreak, could severely disrupt the supply of raw materials, business operations and distribution networks for our products and delay our expansion plans. If the construction to expand our manufacturing facility cannot be completed on time due to such events, we may be unable to meet the growing demand of our customers. In addition, ongoing and future restrictions in Malaysia may adversely affect our ability to adequately staff our operations. The extent of the pandemic and its impact on the Malaysian domestic, regional and global economy remains uncertain, and additional restrictions, quarantine requirements, lockdowns or other governmental measures could have a material adverse effect on our business, financial condition, results of operations and prospects. Conversely, if the COVID-19 pandemic were to suddenly or significantly improve, it could weaken global demand for examination gloves, which could adversely affect our selling prices and market position and have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)**5.1.4 We are exposed to the risk of delays, claims, reductions or cancellations of orders from customers**

Our customers are primarily distributors, and their sales are subject to fluctuations in demand from their end customers. Accordingly, our sales are affected by demand from the end customers of our customers. Additionally, although we are not dependent on any particular major customer for our business or financial performance, our revenue has been concentrated on our major customers as a result of our prioritising our expansion efforts on satisfying the demands of our current customers and developing key large accounts. Our two largest customers accounted for 46.2%, 64.9% and 56.9% of our total revenue for FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively. See Section 7.10.1 of this Prospectus. We generally do not enter into long-term contracts with our major customers; rather, we conduct our sales through the satisfaction of individual purchase orders. As a result, levels of orders from our customers may vary from period to period. There can be no assurance that we will continue to retain our current customers and that they will maintain or increase their current level of business with us and continue to place orders with us. Our customers may also choose to place orders with our competitors, in particular with new market entrants offering competing products and potentially at lower prices. As an OEM, our production processes are generally catered towards the requirements of our existing customers and in the event of any significant changes in our customers' requirements or the makeup of our major customers, our business and financial performance may be materially and adversely affected. Further, in the event there is a material delay, cancellation, reduction and/or cessation of orders and/or claims for whatever reason by any of our major customers and we are unable to obtain substitute orders of a comparable size on comparable terms, our business, financial condition, results of operations and prospects may be materially and adversely affected.

5.1.5 Our customers are primarily distributors, and we do not control the ultimate distribution of our products

We are an OEM, and our customers are primarily distributors, who on-sell our products to their respective customers (who, in turn, may also be sub-distributors) around the world. Our customers may sell our products under their own brand names or may on-sell them without branding, to customers of their choosing, and we do not control or have any influence over or even any knowledge of this onward distribution. We do not track any storage or handling or shipments or onward sales by our customers. As a result, our products may be mishandled or otherwise sold in a condition or under circumstances that do not meet our own quality standards or expectations, and our reputation could suffer if our products do not end up meeting the expectations of our customers' customers.

Similarly, it is possible that our products could be shipped into countries or jurisdictions or to entities or organisations that are subject to economic sanctions by various national governments or international organisations, such as the Malaysian government, the UN and the United States Department of the Treasury's Office of Foreign Asset Control. These sanctions programmes are evolving, and new requirements and rules could come into effect that could increase the scrutiny on our business or our competitors and our industry. In addition, we are required to comply with applicable anti-money-laundering and anti-bribery laws and regulations in the jurisdictions in which we operate. We cannot guarantee that our anti-bribery and anti-money laundering policies and procedures will be effective or that our third-party partners will adhere to them. If we or any of our third-party partners fail to comply with applicable anti-bribery laws and anti-money laundering laws or sanctions regimes, we may be subject to criminal and civil penalties and sanctions and incur significant expenses, and our business and reputation could suffer, which could result in loss of customers and have a material adverse effect on our business, financial condition and results of operations.

5. RISK FACTORS (Cont'd)**5.1.6 We are exposed to the risk of delays, reductions and cancellations of supplies from our suppliers**

While we are not dependent on any one supplier for our operations, the COVID-19 pandemic has resulted in high industry demand for raw materials and tighter supplies, in particular for nitrile latex. Our profitability may be affected by shortages in these raw materials or the inability of our suppliers to meet our raw material requirements.

Save for our contract with Synthomer which supplies us with nitrile latex, we do not have any long-term contracts with any of our major suppliers. There can be no assurance that we will be able to renew our contract with Synthomer on terms that are commercially acceptable to us or at all. There can also be no assurance that Synthomer or any of our other major suppliers will continue to supply us with a sufficient amount of raw materials of acceptable quality, either on terms that are acceptable to us or at all. In the event that there is a material delay, reduction or cancellation of supplies for whatever reason by any of our major suppliers, we would be required to source supplies from alternative suppliers and any delay in sourcing these materials or disagreements on commercially acceptable terms and quality may materially and adversely affect our business, financial condition, results of operations and prospects.

5.1.7 We are exposed to foreign exchange risks

We are exposed to risks associated with exchange rate fluctuations, particularly with respect to the US\$. Our operating expenses are denominated mainly in RM, our purchases are denominated mainly in RM and US\$ and our sales are primarily denominated in US\$. To the extent that our sales, purchases and operating expenses are not naturally matched in the same currency and there are timing differences between invoicing and collections/payment, we will be exposed to any adverse fluctuations of US\$ against RM.

We have entered into certain hedging transactions to reduce our exposure to foreign currency exchange risks. For example, we have entered into forward currency contracts to hedge our sales proceeds denominated in US\$. However, hedging transactions may not completely insulate us from risks associated with exchange rate fluctuations due to certain factors including the following:

- the financial instruments we use may not correspond completely or directly with the risk we intend to protect ourselves from;
- the duration of the hedge may not match the duration of the related liability; and
- the value of the derivative financial instruments used by us may be adjusted from time to time in accordance with applicable accounting policies to reflect changes in fair value, which may cause us to incur losses.

Hedging also typically involves costs, including transaction costs which may reduce overall profits. Any change in exchange rates that we are not protected from by our hedging strategy could have a material adverse effect on our financial condition and results of operations which may impact our ability to pay and/or declare dividends. See Section 12.2.9 of this Prospectus for further details on the impact of changes in exchange rates on our financial condition and results of operations.

5. RISK FACTORS *(Cont'd)*

5.1.8 Our growth strategy subjects us to various risks

Our growth strategy involves investing in new facilities to expand our manufacturing and production capacities and expanding our distribution channels and markets. See Section 7.3 of this Prospectus for details on our future plans and strategies. However, as the outcome of these initiatives are uncertain, there can be no assurance that we will be able to successfully execute our business strategies or that these business strategies will not prove more difficult or costly to implement than we had originally anticipated.

Our strategic initiatives may expose us to a number of risks and challenges, including the following:

- new and expanded business operations may require higher capital expenditures and operating costs than initially planned or anticipated;
- new and expanded distribution channels and markets may require and be subject to various governmental and regulatory approvals, consents, reports and filings, which we may not be able to obtain or complete in a timely manner or at all;
- new and expanded businesses may require devotion of substantial amount of time by our management and may divert our management's attention and resources from our operations and business;
- we may fail to identify and enter into new business opportunities in a timely manner, placing us at a disadvantage compared to our competitors, particularly in overseas markets; and
- we may need to hire or retrain greater numbers of skilled and qualified personnel than we had anticipated in order to supervise and undertake new and expanded business operations. We may not be able to hire or retrain sufficient personnel at reasonable costs or at all. See Sections 5.2.3 and 5.2.4 of this Prospectus for further details. Further, in the event of a delay in the commencement of operations of our new facilities, our financial condition may be impacted as we may be unable to accept and process new order from our customers, while continuing to incur labour costs on any workers that were hired to staff our new facilities.

Any of the foregoing may have a material adverse effect on our business, financial condition, results of operations and prospects.

5.1.9 We may not be able to grow as quickly as we anticipate

A key element of our growth strategy is increasing our sales to our existing customers as their business grows, which will require us to increase our production capacity in line with any increase in their demand for our products. Given the high utilisation rates of our existing production lines, in the event of any delays or disruptions to the expansion of our facilities, we may not be able to expand our capacity quickly enough to service the growing demands of our customers, which could lead to a loss of business opportunities or decreased customer satisfaction.

Further, we may be unable to obtain sufficient quantities of raw materials of an acceptable or comparable quality, or at an acceptable price, to meet our production and expansion requirements. In the event there is a shortfall in our internally generated funds, we may also be unable to obtain sufficient financing to pursue and implement our growth and expansion strategies in a timely manner or on terms and conditions acceptable to us or at all.

5. RISK FACTORS (Cont'd)

In the event that we are unable to grow and expand as quickly as anticipated, we may be placed at a disadvantage as compared to our competitors and our business, financial condition, results of operations and prospects may be materially and adversely affected.

5.1.10 We face significant competition in our business

We face significant competition from local and foreign glove manufacturing companies, particularly in the nitrile glove segment, as major industry players continue to expand their production capacity. There may also be new entrants into the market, who may price their products aggressively or otherwise compete successfully with us. Key factors affecting our competitiveness include price, product quality and the ability to deliver quality on a consistent basis, reputation, customer relationships and operating history. Our success depends on our ability to maintain our existing customers, generate customer patronage and nurture loyalty mainly by consistently offering top quality products and services at competitive prices on a timely basis. In the event we are unable to do so, we may be unable to compete successfully against our competitors and may not be able to maintain or grow our market share. Accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected. See Section 8 of this Prospectus for details of our competitors and the barriers to entry in our industry.

5.1.11 We are subject to risks associated with technological changes and advancements in materials technology

Our business is susceptible to changes in technology. With the advancement of technology and continual research and development in the production process for the manufacturing industry, new manufacturing techniques for our products may be developed. There can be no assurance that potential competitors may not in the future adopt newer and cheaper alternatives to replace the raw materials used in the production of our products. This may result in lower production costs per unit. While we invest substantially in R&D, in the event that we are unable to adapt our production processes with newer and more efficient manufacturing techniques and/or price our products competitively against other glove manufacturers, we may lose our market share and our business, financial position, results of operations and prospects may be materially and adversely affected.

5.1.12 We are exposed to the credit risks of our customers

While our normal credit term to our customers is between 30 to 60 days, we may extend it on a case-by-case basis depending on, among other factors, the creditworthiness of the customer and the length of the customer relationship with us. Our trade receivables' turnover days for FYEs 31 December 2018, 31 December 2019 and FYE 31 December 2020 were 53 days, 51 days and 54 days, respectively.

5. RISK FACTORS (Cont'd)

Not all of our customers pay us upfront and, as a result, some of our customers may not be able to meet their contractual payment obligations to us, either in a timely manner or at all. In addition, our customers may cancel their orders. The reasons for payment delays, cancellations or default by our customers may include, among others, insolvency, bankruptcy or insufficient financing or working capital due to late payments by their respective end customers. There is also no guarantee that we would be able to recover payments due to us through legal proceedings. In addition, our credit risk is concentrated on our major customers; see note 32.1(b) of the Accountant's Report included in Section 13 of this Prospectus. While we have not in the past experienced any significant credit issues with our major customers, there can be no assurance that our trade receivables can be collected fully or on time, and failure to do so could adversely affect our cash flow and financial performance. In the event that we are not able to collect payments from our customers, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

5.1.13 We may not be able to protect our intellectual property rights or may inadvertently infringe on the intellectual property rights of others

Our future success is affected by our ability to protect our current and future brands and products and to defend our intellectual property rights, including trademarks, patents and domain names. We have been granted various trademark registrations covering our brands and products and have filed, and expect to continue to file, trademark, industrial design and patent applications seeking to protect newly developed brands and products. We cannot be sure that these registrations will be granted with respect to any of our applications. There is also a risk that we could, by omission, fail to renew a trademark or patent on a timely basis or that our competitors will challenge, invalidate or circumvent any existing or future trademarks and patents issued to us. In our design and development process and the marketing and distribution of our products, it is also possible that we could inadvertently infringe upon the intellectual property rights of others, including our competitors. Any such infringement could result in disputes and, potentially, an unfavourable outcome for us. Further, although we have endeavoured to take appropriate action to protect our portfolio of intellectual property rights (including patent applications, trademark registrations, industrial designs and domain names), we cannot be certain that the steps we have taken will be sufficient or that third parties will not infringe upon or misappropriate our proprietary rights. Moreover, in some of the countries in which we operate or into which we sell our products, intellectual property rights and enforcement may not be sufficiently stringent to protect our intellectual property. If we are unable to protect our proprietary rights against infringement, misappropriation or circumvention, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)**5.1.14 We depend on information technology and other infrastructure, which may subject us to cyber security risks**

We rely on a variety of information technology and automated operating systems to manage and support our operations, including protecting our customers' information. The proper functioning of these systems is critical to the daily operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Our systems and those of third-party providers may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorised access, cyber-attacks and thefts. We cannot assure you that the measures and steps we take to secure our systems and electronic information are adequate. Any breach of our systems could result in unauthorised disclosure of confidential information and materially and adversely affect our business, financial condition, results of operations and prospects.

5.1.15 Our insurance coverage may be inadequate

Our insurance coverage may not adequately protect us from risks associated with our business and operations. Our Group maintains various insurance policies covering, among others, damage to finished goods, non-finished goods, machinery breakdown for all plant and equipment, and public liability insurance for any accidental injuries suffered by a third party on our properties. We also insure our principal assets against risk of physical loss or damage caused by accident, fire, civil disorder and/or natural disasters. See Section 7.16 of this Prospectus for further information on our insurance policies. However, there can be no assurance that we will be able to continue to maintain our existing insurance coverage or obtain new insurance policies on economically viable terms or acceptable premiums.

During the course of our operations, we may face various claims and disputes against liabilities that are not insured adequately, or at all, or liabilities that cannot be insured. There can be no assurance that our existing insurance policies will be sufficient to cover all of our potential liabilities or losses or risks associated with our business and operations. In the event that our insurance coverage is insufficient to indemnify us against all possible liabilities or losses arising from our business operations, our business, financial condition, results of operations and prospects may be materially and adversely affected.

5.1.16 Our Group is exposed to new product and new market risk

The demand for our new products and their new characteristics and features are not assured. For example, in 2018, we launched our new environmentally friendly product, Malachite. Although the product was developed by our innovation team and has been subject to numerous testing, there is limited track record of Malachite in the market.

5. RISK FACTORS (Cont'd)

Our current intention is to launch this product with a customer in Sweden, which would entail expanding our business operations into a new country. Expanding into a new geographical location presents new logistical and management challenges related to business cultures, language compliance and restrictions and compliance with local regulatory practices. We may also face risks in penetrating a new geographic market. New markets and products may have different competitive dynamics and customer preferences compared to our existing markets and product offering. Customers in new markets are likely to be unfamiliar with our brand and products and we may need to build or increase brand awareness in the relevant markets by increasing investments in promotional activities. As a result, any products we introduce in new markets may be more expensive to sell and may take longer to reach expected sales and profit levels than our existing products, or any new products we may introduce in our existing markets, which in turn may affect the viabilities of these new operations and our overall profitability. See Section 7.15 of this Prospectus for details on the new products we are currently developing. It may take years and substantial amounts of investments to develop such new products and as with Malachite and any new product, the long-term market acceptance of any of our new products, including Malachite, cannot be guaranteed, and it may not yield the anticipated level of economic benefits.

5.1.17 Exchange controls and policies may materially and adversely affect us

In Malaysia, under Notice 7 of the Foreign Exchange Notices, resident exporters are required to convert all proceeds from its export of goods ("**PEG**") into RM with a licensed onshore bank under the Financial Services Act 2013 or the Islamic Financial Services Act 2013 ("**Licensed Onshore Bank**"). However, BNM allows resident exporters to retain the PEG received in foreign currencies in a Trade Foreign Currency Account maintained with a Licensed Onshore Bank up to the full amount for the PEG not exceeding RM200,000 equivalent per transaction and for the PEG exceeding RM200,000 equivalent per transaction, 25% of the PEG or six months foreign currency obligations of the resident exporter that exists on the date of receipt of the PEG.

These measures expose us to additional foreign exchange fluctuations and increasing conversion costs, both of which could materially and adversely affect our business, financial condition and results of operations.

There can be no assurance that the Malaysian government or BNM will not impose more restrictive or other foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to increased exposure of the economy to potential risks and vulnerability of developments in the international markets. This may materially and adversely affect our business, financial condition and results of operations, the value of our Shares and the ability of our shareholders to liquidate our Shares.

BNM may intervene in the currency exchange markets in furtherance of its policies, either by selling local currency or by using its foreign currency reserves to purchase local currency. There can be no assurance that the RM will not be subject to depreciation and continued volatility, or that the Malaysian government will take additional action to stabilise, maintain or strengthen the RM, or that any of these actions, if taken, will be successful. Changes to the current foreign exchange policies by the Malaysian government or BNM could result in liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, economic recession, loan defaults or declining interest by our customers, and as a result, we may also face difficulties in funding our capital expenditure and in implementing our business strategies. Any of these consequences could have a material adverse effect on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)

5.1.18 We are dependent on our ability to retain key personnel

We believe that our success is heavily dependent upon the continued service of our Executive Directors and Key Senior Management who have valuable experience in the business and industry in which we operate and in-depth understanding of the demands of our business and our customers' needs. See Section 9 of this Prospectus for information on our Executive Directors and Key Senior Management.

While we believe we offer attractive terms of employment, there can be no assurance that we will be able to retain our Executive Directors and Key Senior Management or any other key personnel or that we will be able to attract, train or retain qualified personnel in the future. The loss of services of one or more of our Executive Directors or Key Senior Management or any other key personnel may materially and adversely affect the execution and implementation of our business strategies, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

5.1.19 We face risks arising from outbreaks of disease, natural disasters, terrorist attacks, armed conflicts and other events beyond our control

We may face disruptions to our manufacturing operations due to unforeseen external factors such as health epidemics, pandemics (such as the COVID-19 pandemic), natural disasters and other acts of God, fire, floods, civil commotion, sabotage, economic sanctions against the governments of countries where our suppliers are located, industrial action, shortage of water, insufficient natural gas, insufficient electricity supply and other calamities or events beyond our control. The occurrence of these events could result in longer lead time for production and delayed delivery to our customers. Failure to meet our customers' expectations and make deliveries as required by our purchase orders could damage our reputation and/or expose us to legal claims and may, as a result, lead to loss of business and affect our ability to attract new business. Natural disasters, acts of God or other similar external factors could also damage a significant amount of our production capacity and inventories, in particular because we only operate a single manufacturing facility, at a single location. If such an event were to occur, we would be unable to shift production to other facilities unaffected by these events. In such a case, our business, financial condition, results of operations and prospects will be materially and adversely affected.

In addition, terrorist attacks, armed conflicts, increased hostilities and other acts of violence or war around the world may materially and adversely affect the domestic, regional and global financial markets. The occurrence of any of these events could result in a loss of business confidence, which could potentially lead to an economic recession and have an adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that social and civil disturbances will not occur in the future and on a wider scale, or that any such disturbances will not, directly or indirectly, materially and adversely affect our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)**5.1.20 Political, economic and social conditions in Malaysia and the countries where we sell our products or purchase our raw materials may materially and adversely affect its or their economies, which in turn could have a material adverse effect on us**

Our business, financial condition, results of operations and prospects may be materially and adversely affected by political, economic and social developments in Malaysia, where we operate, or in the countries where we sell our products or purchase our raw materials. Such political, economic and social uncertainties are often beyond our control and include, but are not limited to, changes in political leadership, internal conflict, nationalisation, expropriation, price and capital controls, sudden restrictive changes to government policies, import controls, introduction of new taxes on goods and services, introduction of new laws, as well as demonstrations, riots, coups and war, unemployment trends and other matters that influence continued and stable business operations and consumer confidence and spending.

We generate most of our revenue from sales to customers located in the United States. With the United States being our dominant export market, we may be especially sensitive to adverse developments in the United States, including its import regulations, which could affect our ability to supply products to our customers. For example, in July 2020, the U.S. Customs and Border Protection imposed a Withhold Release Order on the imports of disposal medical gloves produced by a Malaysian glove manufacturer due to alleged forced labour practices employed at its factories. Although we are currently in compliance with all relevant labour laws, there can be no assurance that the U.S. government will not impose additional import controls or introduce changes to its import regulations for any reason in the future. These may result in the nullification of contracts and/or us being prohibited from exporting our products to the United States, in each case materially and adversely affect our business, financial condition, results of operations and prospects.

The majority of our revenue is derived from exports and approximately a third of the nitrile latex used in the production of our gloves is imported. As such, we may be sensitive to adverse changes to or impositions of tariffs, quotas, embargoes or any other trade barriers placed on our gloves, exports out from Malaysia in general, or on the nitrile latex used in the production of our gloves. Adverse changes to, or the imposition of such tariffs, quotas, embargoes or trade barriers is beyond our control and may result in the disruption of our exports and our supply of raw materials, which would materially and adversely affect our business, financial condition, results of operations and prospects.

We have also in the past experienced incidents of political and ethnic disturbances in Malaysia. There can be no assurance that civil disturbances and political instability will not occur in the future. If these were to occur, such disturbances could lead to further political and economic instability as well as loss of confidence in investment in Malaysia and materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, government intervention and significant changes in policies in Malaysia including inflation, wage and price controls, capital controls, interest rates controls and limitations on imports or exports, may materially and adversely affect our business, financial condition, results of operations and prospects. Economic slowdowns and global market fluctuations may also have a material adverse effect on global economic conditions and investment sentiments. Such developments could lead to reduction in demand for our products and materially and adversely affect our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)**5.1.21 We operate in Malaysia, which may be more vulnerable to liquidity and credit risks and may be materially and adversely affected by market downturns and economic slowdown**

Past disruptions in the international and Malaysian capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing for companies in Malaysia. Companies in developing markets such as Malaysia, where we operate, may be particularly susceptible to these disruptions and to reductions in the availability of credit or increases in financing costs, which could result in their experiencing financial difficulty. In addition, the availability of credit to entities operating within developing markets is significantly influenced by level of investor confidence in such markets as a whole, and any factors that impact market confidence, including a decrease in credit ratings, state or central bank intervention in a market or terrorist activity and conflict, could affect the price or availability of funding for entities within any of these markets. There can be no assurance that there will be continued funding for our operations in Malaysia or that any lack of funding will not directly or indirectly, materially and adversely affect our business, financial condition, results of operations and prospects.

Since the global financial crisis of 2008, certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside of countries with emerging or developing economies, or an increase in the perceived risks associated with investing in such economies could dampen foreign investment in and materially and adversely affect the economies of these countries. Investments in emerging markets in which our customers are based, to which we export our goods or to which our customers distribute our goods may therefore be subject to greater risks than in more developed markets, including in some cases significant legal, fiscal, economic and political risks.

5.1.22 The interests of our controlling shareholder may not be aligned with those of our shareholders

Following completion of our IPO, OTS Global will own 33.39% of our Shares and will continue to be our controlling shareholder. As our controlling shareholder, other than in respect of certain votes regarding matters in which it is an interested party and must abstain from voting under the Listing Requirements or matters that require the passing of a special resolution, OTS Global will be able to vote on matters such as the election of our Directors and influence the approval of all corporate matters or transactions requiring a shareholder resolution under the Act. Through OTS Global's ability to influence the election of our Directors, it will have significant influence over matters concerning our Group determined at our Board level.

5. RISK FACTORS *(Cont'd)*

5.2 RISKS RELATING TO OUR INDUSTRY

5.2.1 **The global demand for and average selling prices of examination gloves may be subject to fluctuations, in particular during pandemics and epidemics**

The demand for and average selling prices of examination gloves may be subject to fluctuations during pandemics and epidemics. According to Vital Factor, during the year of the bird flu epidemic in 2017, Malaysia's average selling prices for gloves increased by 23.3%, whereas there were no corresponding increases during the occurrences of SARS in 2003 and H1N1 in 2009. The ongoing COVID-19 pandemic has resulted in an increase in global demand for examination gloves exceeding global production output. This has significantly contributed to the increase in the blended average selling prices of our examination gloves during FYE 31 December 2020, as compared to FYE 31 December 2019. See Section 12.2.2 of this Prospectus for the historical blended average selling price of our examination gloves and analysis of the sensitivity of our PAT to a 5% change in the blended average selling prices of our examination gloves.

As vaccines for the COVID-19 pandemic have been developed, there may be a reduction in global demand for examination gloves, which may result in a fall in the selling prices for examination gloves. Selling prices may also fall as global production output increases as glove manufacturers seek to increase their production output to meet the increased global demand. According to Vital Factor, global demand for gloves is forecasted to decrease from 682 billion pieces in 2021 to 514 billion pieces in 2024 mainly due to the roll-out of vaccines at the end of 2020. Vital Factor further forecasts that global production output will meet demand sometime in 2023, resulting in global production capacity exceeding global demand by 18% by 2023, and by 49% by 2024. See Section 8 of this Prospectus for more details.

As we generally do not enter into long-term contracts with our major customers to secure the sales volumes or selling prices of our examination gloves, there can be no assurance that we will be able to maintain or increase the demand for or current average selling prices of our examination gloves following the COVID-19 pandemic. In the event there is a material reduction in the demand for, or average selling prices of, our examination gloves, our business, financial condition, results of operations and prospects may be materially and adversely affected.

5.2.2 **Our profitability may be affected by fluctuations in raw material prices or shortages in raw materials**

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 sustain our operations and meet the demands of our customers. The total cost of raw materials, comprising nitrile latex and chemicals, comprise 56.6%, 53.0% and 49.7% of our total cost of sales for FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively. As a result, our business, financial condition, results of operations and prospects are vulnerable to changes in the price and supply of raw materials.

5. RISK FACTORS (Cont'd)

The primary raw material used in our manufacturing operations is nitrile latex. We purchase our nitrile latex from local and overseas suppliers. The market prices of raw materials may fluctuate due to, among others, changes in global supply and demand conditions and global and regional economic conditions (such as the ongoing COVID-19 pandemic) and negotiations with our suppliers. While we have historically been able to pass fluctuations in costs to customers, there can be no assurance that we will be able to continue doing so in the future either on a timely basis or at all. If we are unable to pass on cost increases to customers and we are unsuccessful in alternatively managing our exposure to the effects of raw material price fluctuations, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Disruptions to the operations of our suppliers due to, among others, the ongoing COVID-19 pandemic, could limit our ability to obtain sufficient quantities of raw materials of an acceptable or comparable quality, or at an acceptable price. As we do not have long-term contracts with the majority of our suppliers, there can be no assurance that we will not face shortages of raw materials to meet our production requirements in the future. Although we have not encountered any shortage of raw materials in the past, any sudden shortage of supply or reduction of allocation of raw materials to us from our suppliers may result in us having to pay a higher cost for these raw materials which may adversely affect our financial condition and results of operations. In the event there are any significant increases in raw material prices and if we are unable to find a comparable source of supply at similar rates and quality or pass on increases in the costs of such raw materials to our customers on a timely basis, the profit margins for our products may be materially and adversely affected.

5.2.3 Rising operational costs could materially and adversely affect our business, financial condition, results of operations and prospects

We use various types of fuel including natural gas, biomass (being palm kernel shells) and diesel mainly for the boilers and other heating devices used in our production process. Fuel cost constituted approximately 11.7%, 15.3% and 15.7% of our total cost of sales for FYEs 31 December 2018, 31 December 2019 and 31 December 2020, respectively. As fuel cost represents a significant portion of our cost of production, any increase in global fuel prices may have a material adverse effect on our profitability and financial performance in the event we are unable to pass on the increase in fuel cost to our customers.

In addition, operational costs for compliance with new labour policies may increase exponentially. See Section 5.2.6 of this Prospectus for more details. There can be no assurance that the rising operational costs for compliance with such new labour policies will not have an adverse effect on our operational costs and materially and adversely affect our business, financial condition, results of operations and prospects.

5.2.4 We may face allegations of forced or unethical labour practices

We may from time to time face allegations of forced or unethical labour practices, even if the bases for such allegations are not valid. Any allegations of forced or unethical labour practices may negatively affect our customers' willingness to trade with us or may lead to negative publicity. Governments in other countries may also restrict or ban the import of our products due to such allegations or negative publicity, which may materially and adversely affect our business, financial condition, results of operations and prospects.

5. RISK FACTORS *(Cont'd)*

As part of our commitment to ethical trade and business, our subsidiary, Central Medicare, has become a member of Sedex, an ethical trade service membership organisation working with businesses to improve working conditions in global supply chains. Since joining Sedex as a member on 9 June 2019, Central Medicare has undergone two social audits in compliance with SMETA, conducted by independent auditors, in June 2019 and November 2019. SMETA is an ethical audit methodology developed by Sedex, covering Sedex's four pillars of labour, health and safety, environment and business ethics. SMETA is governed by, among others, the ETI Base Code and local law.

The SMETA report issued by the independent auditors following the abovementioned social audits in June 2019 and November 2019 indicated, among others, that our employees work an average of 66 hours per week. While the average of 66 hours per week is permitted under Malaysia law, it is more than the recommended average of 60 hours per week under the ETI Base Code. The ETI Base Code does, however, allow for an exception for exceeding 60 hours per week. We believe that we have met all the indicated requirements for an exception due to the following reasons:

- this is allowed by national law;
- this is allowed by a workforce agreement that we freely negotiated with representatives elected by our workers with regard to voluntary overtime work and the compensation for any overtime work;
- appropriate safeguards are taken to protect the workers' health and safety; and
- exceptional circumstances apply, namely unexpected production peaks due to the increased demand for gloves arising from COVID-19.

However, there can be no assurance that we will not still face allegations of forced or unethical labour practices, which may materially and adversely affect our business, financial condition, results of operations and prospects. See Section 5.2.5 below for more details.

5.2.5 We may be materially and adversely affected by negative publicity

The glove manufacturing industry has from time to time been the subject of negative publicity. Negative publicity associated with our Group, any of our officers or employees or the glove manufacturing industry in general may affect the market perception of our Group and have an adverse effect on our business, financial condition, results of operations, and prospects. Examples include publication of industry findings, research reports or health concerns in relation to labour practices and ESG standards in the glove manufacturing industry in Malaysia, our operations or the operations of our competitors in Malaysia.

5. RISK FACTORS *(Cont'd)*

The publication of reports asserting or alleging lower ESG standards or forced labour practices by us or our competitors in Malaysia may negatively impact the reputation of our Group and the glove manufacturing industry as a whole. These concerns could cause governments of other countries to impose bans on the import of our products or cause our customers to stop purchasing certain products from us, or seek alternative sources of supply for their needs, even if the basis for the concern is not valid or outside of our control. For example, in July 2020, the U.S. Customs and Border Protection imposed a Withhold Release Order on the imports of disposal medical gloves made by a Malaysian glove manufacturer due to alleged forced labour practices employed at its factories. Further, in December 2020, Malaysia's Ministry of Human Resources' Labour Department commenced investigations into the same glove manufacturer's worker accommodation and hostels following a COVID-19 outbreak at its manufacturing facility. Adverse government orders and public perceptions, whether valid or otherwise, could discourage our customers from buying our products and any loss of confidence on the part of our customers may be difficult and costly to regain.

In addition, reports in publications and journals may have a negative effect on our reputation or the reputation of our products. The publication of reports asserting or alleging that gloves in general (even if not sold or manufactured by us) may cause allergies or adverse reactions may have a negative effect on our sales regardless of whether such reports can be substantiated scientifically, whether the harmful effects are restricted to the products sold by other companies or whether such reports are only in relation to natural rubber gloves (as opposed to nitrile latex gloves which is the type manufactured by us). Our business, financial condition, results of operations and prospects could be materially and adversely affected if customers lose confidence in the safety and quality of our products or do not draw a distinction between natural rubber and nitrile latex gloves.

Any product contamination involving our competitors could also impact the reputation of the glove manufacturing industry as a whole and have a negative effect on our business.

Further, any complaints or product liability claims by customers may also affect public perception of our products. In the event that we are required to compensate our customers as a result of such complaints or claims, our corporate image, business, financial condition, results of operations and prospects may be materially and adversely affected.

5.2.6 **We are dependent on foreign labour and may face increased labour costs or labour shortage**

The glove manufacturing industry requires manual labour in certain areas of manufacturing which do not involve automated processes, such as quality control and packing. As at 31 December 2020, our employees at our manufacturing facility consisted of approximately 24% Malaysian workers and approximately 76% foreign workers. Currently, we obtain work permits for all of our foreign workers and to obtain such permits, we are required to make applications to the MHA.

Although we continuously seek to increase the level of automation in our operations to reduce labour dependency, if the policies on granting such work permits were to change in Malaysia or in the respective countries of origin of the foreign workers and if such changes result in a more difficult foreign worker hiring process, it may become more challenging for us to maintain sufficient workforce for our operations.

5. RISK FACTORS (Cont'd)

For example, the implementation of a policy by the Malaysian government requiring employers to bear the cost of levy payments for foreign workers and revision of minimum monthly wage for foreign workers in Malaysia from RM1,000 for Peninsular Malaysia (and RM920 for East Malaysia) to (i) RM1,100 since January 2019 throughout Malaysia and (ii) RM1,200 for 56 identified city council or municipal council areas within Malaysia with effect from 1 February 2020 may have an indirect impact on our Group's production costs and given the relatively large workforce under our employment, our results of operations may be adversely affected unless the impact of such measures can be mitigated by improved automation, computerisation and R&D improvement initiatives. In addition, any increase in competition for foreign workers may also increase labour costs. In the event that the number of foreign workers that we can employ reduces and/or we have to turn to a costlier source of labour, our financial condition and results of operations may be materially and adversely affected.

The Malaysian government has frozen the recruitment of foreign workers for various sectors and recruitment of foreign workers in Malaysia is currently limited to only approved sectors, namely manufacturing, plantation, construction, agriculture, and certain types of services sectors. In addition, the MHA has imposed specific requirements for the recruitment of foreign workers such as countries of origin and gender of workers for certain sectors. There can be no assurance that such policies will not be amended to impose additional restrictions or requirements and that in the event such policies are amended, we will be able to comply with the new policies.

As applications for the recruitment of foreign workers in Malaysia are subject to approval procedures, there can be no assurance that we will be able to continue to employ sufficient number of foreign workers to meet our operational needs. In particular, in the event that the MHA restricts the number of foreign workers which we can recruit, or our applications for the recruitment of foreign workers are continuously rejected, our business, financial condition, results of operations and prospects may be materially and adversely affected.

5.2.7 Labour laws in Malaysia may affect our business, financial condition, results of operations and prospects

As at 31 December 2020, we had 2,600 employees (including contract workers) on our payroll. See Section 7.19 of this Prospectus for more details. We are subject to a number of stringent labour laws that protect the interests of workers, including, among others, legislation that sets forth matters relating to employee removal and legislation that imposes financial obligations on employers upon retrenchment. If labour laws become more stringent or are more strictly enforced, it may become more difficult for us to maintain flexible human resource policies, discharge employees or downsize.

In addition, labour unrest and activism in Malaysia could disrupt our operations and financial condition, depress the stock prices of companies and the value of RM relative to other currencies. Further, any national or regional inflation of wages will directly and indirectly increase our operating costs and will lead to a decrease in our profit margin. Such events could materially and adversely affect our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)**5.2.8 We are exposed to product safety and quality-related risks that may harm our business and reputation and subject us to product liability claims and/or regulatory action**

Product safety and quality are critical to our business and we rely heavily on our quality control systems to ensure the safety and quality of our products. See Section 7.8 of this Prospectus for more details. While we believe that our quality assurance process functions properly and we routinely inspect the quality of products prior to them being delivered to our customers, there can be no assurance that failures in our quality assurance process will not occur in the future. Such failures may occur due to technical malfunctions, including of the equipment used to manufacture gloves, or through negligence or misconduct occurring during the production or operating process which results in product contamination. Our safety and quality inspection systems may not always be able to detect any such contamination or quality-related issues. Contamination and quality-related issues may also result from residues introduced during the storage, handling and transportation phases. Any such contamination or quality-related issues could cause us to suffer from monetary losses through product liability claims or regulatory actions and penalties assessed by government agencies or product recalls and could result in damage to our reputation, which would in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Although our gloves comply with stringent quality assurance procedures and international standards and requirements, the gloves we manufacture or distribute may contain chemical substances and/or other substances that are sensitive to certain users. Although we have not in the past faced any complaints on safety or quality-related issues which had materially and adversely affected our business or financial condition, users of our products may develop allergic or other adverse reactions despite our safety and quality controls and testing. If users of our products suffer any damage, injury, illness or other adverse reactions as a result of using our products, we may face an inherent risk of exposure to product liability actions and legal claims or be required to recall certain of our products. While we have not encountered such events in the past, there can be no assurance that such events would not occur in the future. If such events were to occur, we may incur significant time and legal costs if legal proceedings are instituted against us, with or without merit. Such claims, if decided against us, may have a material adverse impact on our business, financial condition, results of operations and prospects.

Further, in the event our products are found to be unfit for their intended purpose, non-compliant with industry requirements or contain material defects, we may face product liability claims from our customers or be required to recall certain of our products. In certain jurisdictions such as the United States, where our largest customers are located, we as the manufacturer may be subject to strict liability for certain product defects, even if the defective products are not sold by us directly to the end users. While there have been no incidences of failure of our quality assurance processes which had materially affected us, there can be no assurance that such incidents would not occur in the future. If such events were to occur, we may incur significant time, legal costs and resources to defend ourselves in the event that legal proceedings are instituted against us, with or without merit. Such claims, if decided against us, may have a material adverse impact on our business, financial condition, results of operations and prospects.

5. RISK FACTORS (Cont'd)**5.2.9 Failure to comply with environmental or other regulations could hurt our reputation and consequently our business, financial condition, results of operations and prospects**

We are required to comply with numerous laws and regulations, in particular environmental protection, health and safety laws and regulations. Some of these environmental protection and health and safety regulations require us to adopt measures to effectively control and properly dispose of waste gases, waste water, industrial waste, dust and other environmental waste materials.

Due to the scale of our operations, it is inevitable that a large quantity of waste and emissions is produced, some of which require appropriate disposal. While we have adopted measures to control the disposal of waste gases, waste water and other environmental waste materials and to reduce the environmental impact of the discharged waste, there can be no assurance that these measures may be sufficient now or in the future. Even with careful and regular monitoring of our waste and emissions to comply with environmental regulations, there can be no assurance that the measures we have put in place to monitor our waste and emissions would be able to detect all environmental issues.

Any failure to comply with relevant environmental laws and regulations, depending on the type and severity of any violation, may cause us to be subject to, among others, warnings from relevant authorities, imposition of fines and/or criminal liability, being ordered to shut down our operations and suspension of relevant permits. As a result, our reputation may be harmed and our business, financial condition, results of operations and prospects could be materially and adversely affected. In addition, we are subject to numerous other laws and regulations, and such laws and regulations are becoming increasingly more stringent worldwide. That includes environmental laws, as well as, for example, antitrust and competition laws in the countries in which we operate and into which we sell, pursuant to which we and/or our industry could be subject to increased regulatory scrutiny for activities such as pricing and supply of our products. There can be no assurance that we will not be required to incur significant costs to comply with such laws and regulations or as a result of enforcement actions pursuant to such laws and regulations in the future.

5.2.10 We may be liable for industrial accidents at our production facilities and sites that are under construction

Our production processes and construction activities use tools, chemicals, equipment and machinery that are hazardous and may potentially cause physical injuries or even fatalities to our workers. Despite the training and health and safety processes implemented in our facilities, factories and construction sites, we cannot eliminate industrial accidents entirely. In the event of an industrial accident, we may face claims by the injured workers or their families. Depending on the severity of the incident, we may also be subject to investigations, which may lead to fines and penalties, including the cessation or suspension of operations and/or construction, which may materially and adversely affect our business, financial condition, results of operations and reputation.

5. RISK FACTORS (Cont'd)

5.2.11 We depend on timely access to supplies and equipment and on a reliable transportation and transmission infrastructure

We depend on reliable transportation and transmission infrastructure for the transmission of power and for transport of the substantial amounts of raw materials, fuel, water and other supplies and equipment needed to carry out our business operations. Our access to transmission and transportation infrastructure could be interrupted as a result of, among others, political events that affect supplier relations or supply infrastructure, insufficient transportation infrastructure and other problems in transporting sufficient quantities of these supplies to our manufacturing facility, adverse weather conditions and act(s) of God, sabotage, government restrictions, economic sanctions against the governments of countries where our suppliers are located or where supplies are to be received, industrial action, regional hostilities, adverse weather conditions and other hazards and force majeure events.

5.3 RISKS RELATING TO OUR SHARES AND OUR LISTING

5.3.1 The offering of our Shares may not result in an active liquid market for our Shares

There can be no assurance as to the development of any market, or 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. None of us, the Selling Shareholders, the Promoters, the Joint Global Coordinators, the Joint Bookrunners or the Placement Agent(s) have an obligation to make a market for our Shares.

[Bursa Securities has granted its approval for the listing of, and quotation for, our issued share capital (including the IPO Shares) on the Main Market of Bursa Securities.] It is expected that there will be an approximate 12-Market Days gap between the closing of the Retail Offering and trading of our Shares. There can be no assurance that there will be no event or occurrence that will have an adverse impact on the securities markets, our industry or us during this period that would materially and adversely affect the market price of our Shares when they begin trading. There can also be no assurance that we will be able to maintain our listing on the Main Market of Bursa Securities.

5.3.2 Our Share price and trading volume may be volatile

The market price of our Shares could be affected by numerous factors, including the following:

- general market, political and economic conditions;
- trading liquidity of our Shares;
- differences in our actual financial and operating results and those expected by investors and analysts;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed shares in general or shares of companies comparable to ours;
- perceived prospects of our business and the industry in which we operate;
- adverse media reports regarding us or our shareholders;

5. RISK FACTORS *(Cont'd)*

- changes in government policy, legislation or regulation; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the Institutional Price or the Retail Price. There can also be no assurance that the market price of our Shares will reflect our operations and financial condition, our prospects or the prospects of the industry in which we operate.

Over the past few years, the Malaysian, regional and global equity markets have experienced significant price and volume volatility that has affected the share prices of many companies. Share prices of many companies have experienced wide fluctuations which were not always related to the operating performance of these companies, including fluctuations as a result of developments in other markets. There can be no assurance that the price and trading of our Shares will not be subject to fluctuations.

5.3.3 **The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could materially and adversely affect the price of our Shares**

Following our Listing, we will have in issue 10,000,000,000 Shares, of which up to 2,600,000,000 Shares, representing 26.0% of our issued share capital, will be held by investors participating in our Listing, and not less than 52.8% (or 52.1% in the event the Over-allotment Option is exercised in full) will be held, directly and indirectly, by the Moratorium Providers in our Company. Our IPO Shares will be tradable on the Main Market of Bursa Securities without restriction following our Listing. Our IPO Shares may also be sold outside the United States, subject to the restrictions of Regulation S.

Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with our financing activities or otherwise. In addition, the Moratorium Providers could dispose of some or all of our Shares that they hold after the moratorium period expires pursuant to their own investment objectives. If the Moratorium Providers sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be materially and adversely affected.

5.3.4 **There may be a delay in, or termination of, our Listing**

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- the Joint Underwriters' exercise of their rights under the Retail Underwriting Agreement, or the Placement Managers' exercise of their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;
- our inability to meet the minimum public shareholding spread requirement under the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing; or
- the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

5. RISK FACTORS *(Cont'd)*

Where prior to the transfer of the IPO Shares:

- (a) the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and the Selling Shareholders shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Selling Shareholders shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(7)(a) of the CMSA, investors will not receive any IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the transfer of the IPO Shares, the SC issues a stop order under Section 245(1) of the CMSA, any transfer of the IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Selling Shareholders shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA.

5.3.5 **Our ability to pay dividends in the future will depend upon our retained earnings, financial condition, cash flows, working capital requirements and covenants under our financing documents and we may be affected by our payment of dividends**

We may choose to pay dividends out of cash generated from our operations after setting aside the necessary funds for capital expenditure and working capital and taking into account applicable restrictive covenants under our financing documents. Dividend payments are not guaranteed and our Board may decide, in its sole and absolute discretion, at any time and for any reason, not to pay dividends. See Section 12.5 of this Prospectus for more details. There can be no assurance that we will be able to pay dividends or that our Board will declare dividends. There can also be no assurance that future dividends declared by our Board or any of our subsidiaries, if any, will not differ materially from historical dividend levels.

We are a holding company and conduct substantially all of our operations through our subsidiaries, Central Medicare and New Era Medicare. As at the LPD, the manufacturing and sale of nitrile examination gloves from which our Group derives our revenue is undertaken by Central Medicare. Accordingly, dividends received from Central Medicare are our principal source of income. We may also enter into financing agreements and, which could further limit our ability to pay dividends, and we may incur expenses or liabilities that would reduce or eliminate the cash available for the distribution of dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected. In addition, if Central Medicare is in breach of any of the covenants in its financing agreements, it may affect our ability to pay dividends.

5. RISK FACTORS (Cont'd)

Further, the payment of dividends by Central Medicare to us may adversely affect Central Medicare's ability to fund unexpected capital expenditure, which may be required in the event of health epidemics, pandemics (such as the COVID-19 pandemic) and natural disasters or changes in regulatory requirements which may require us to make changes to our property, plant or equipment. This would in turn affect Central Medicare's ability to make interest and principal repayments on any borrowings that Central Medicare may have outstanding at the time. As a result, Central Medicare may be required to borrow additional money or seek capital from us, and we may in turn be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, if we or Central Medicare incur new borrowings subsequent to our Listing, we or Central Medicare may be subject to additional covenants restricting our ability to pay dividends.

5.3.6 Forward-looking statements in this Prospectus may not be accurate

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements are made based on assumptions that we believe to be reasonable as at the date of this Prospectus. Forward-looking statements can be identified by the use of forward-looking terminologies, such as the words "may," "will," "would," "could," "believe," "expect," "anticipate," "intend," "estimate," "aim," "plan," "forecast" or similar expressions, and include all statements that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements, or industry results expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and initiatives of the Malaysian government.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.