9. RISK FACTORS

An investment in our Shares involves a number of risks. Prospective investors should rely on their own evaluation and carefully consider all the information contained in this Prospectus, including the risks described below, before deciding to invest in our Shares. If any of the risks described below actually occurs, our business, performance, financial condition, results of operations and prospects could be negatively affected. The market price of our Shares could decline due to any of these risks, and investors may lose all or part of their investment.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 Disruption of operations at our power assets could materially and adversely affect our business

We are an IPP primarily engaged in the development, ownership and O&M of power assets and projects. We primarily derive our revenue from making available power generation and transmission assets for and supplying electricity to our customers. Please refer to Section 7.2 of this Prospectus for further information of our business. The ability and/or availability of our power assets to generate and transmit power to our customers can be disrupted by a number of events, including:

(i) a breakdown or failure of power generation and/or transmission systems and plant equipment (including transmission towers), due to wear and tear and/or human errors or negligence;

(ii) an extension of shutdowns due to delays encountered during repair and maintenance or overhauls;

(iii) an interruption in the supply of key inputs for power generation such as coal, solar irradiance and rainfall, further information are set out in Sections 9.1.3 and 9.1.9 of this Prospectus;

(iv) imposition of movement control orders or similar measures by the local government to curb the spreading of infectious diseases, such as COVID-19;

(v) stop orders issued by local government bodies or agencies due to:
- a failure to comply with the conditions set out in, or failure to obtain, maintain or renew, the required licenses, regulatory permits and approvals;
- a violation of local regulatory laws relating to pollution and/or environmental contamination or industrial accidents affecting plant operations; and

(vi) force majeure events which could cause outages or the suspension of operations of our power assets.

If any of these or similar events materialises, our availability and/or ability to generate and transmit power may be disrupted. Further, we cannot assure you that we will not encounter any shutdowns extended beyond our plans to make certain repairs and/or maintenance to our plants and equipment, or any unplanned breakdown of plant and machinery that result in a partial shutdown of our power assets. The performance and output of our power assets may be adversely affected, which in turn may result in loss of revenue that we can derive from the PPAs and/or PTAs for the relevant power assets. We may be in breach of our PPAs and PTAs if any of our power assets becomes unavailable, unable to generate and/or transmit power at the committed levels or on schedule for a prolonged period beyond the limit permitted under the relevant agreements. We may also incur costs or penalties resulting from such breaches. Please refer to Section 7.2 and Annexure C of this Prospectus for further information on the PPAs and PTAs of our power assets. Any of the foregoing events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

9.1.2 Our future plans and business strategies are subject to various risks and challenges

We have set goals in line with our vision and mission to chart our future plans and identified the key business strategies to realise them. However, these future plans and business strategies may be challenging to implement and, if implemented, may expose us to a number of risks and challenges as follow:

(i) Our GHG emissions reduction plans and our Group's contribution of avoided emissions to support climate goals set under the Paris Agreement are subject to challenges

The power industry is undergoing energy transitioning from fossil fuels to RE to address climate change risks. In line with this transition, we have set our long-term climate goal of net-zero GHG emissions by 2050, in support of climate goals set under the Paris Agreement.

We plan to rely on the following strategies as our planned emission reduction efforts towards achieving our long-term climate goal of net-zero GHG emissions by 2050:

(a) direct reduction of our scope 1 GHG emissions primarily through the retirement of our two coal-fired power plants following the expiry of their PPAs in 2043 (for the CEL Plant) and 2050 (for the CEL II Plant), respectively. In the interim, we will reduce our use of fossil fuel energy through reduction in our use of energy such as improving the efficiency of our coal-fired power plants and electrification of our machines, equipment and vehicles in all our power assets, where relevant;

(b) reduction of our scope 2 GHG emissions through reducing our consumption of electricity purchased from the grid by improving energy efficiency of our operation and deploying RE facilities (such as rooftop solar PV systems) on our operation sites, and also through the use of RECs that we generate from our own RE power generation assets;

(c) reduction of our scope 3 GHG emissions by reducing GHG emissions from our value chain; and

(d) removal of our residue GHG emissions in scope 1, 2 and 3 through creation of natural carbon sink.

In addition to our planned GHG emissions reduction in support of the climate goals set under the Paris Agreement, we will also increase our contribution to avoided emissions primarily through the continuous expansion of our portfolio of RE power assets.

Please refer to Sections 7.5.1 and 7.24 of this Prospectus for further information on our Group's future plans in relation to achieving our long-term climate goal of net-zero GHG emissions by 2050, in support of climate goals set under the Paris Agreement.

Our emission reduction plan (the interim part for scope 1, and the plan for scopes 2 and 3) as indicated above is subject to risks and challenges. The progress can be affected by political commitment and policy support by the governments for the energy transition from fossil fuels system to RE system in our current and target markets. The level of initiatives taken by the governments and government-related utilities companies can have a significant impact on the RE project opportunities available to us, the availability of financing and incentives, the support for application of new technologies, the regulatory and legal frameworks and the public acceptance and awareness of RE benefits.

In addition, we plan to reduce our GHG emissions through improving the generation efficiency of our coal-fired power plants by electrification and operation optimisation to reduce coal consumption, installing rooftop solar PV systems on our premises to reduce our usage of purchased electricity, creating natural carbon sink and reducing our emissions from the purchased of goods and services. Each of these plans is subject to risks and challenges. For example, the internal initiatives undertaken to improve our coal-fired plants' generation efficiency may not yield the desired results, natural carbon sink measures such as tree planting may be costly and we may face limitation with key suppliers over their availability of emissions data in our sourcing for the goods and services.

Our plan for the contribution of avoided emissions may also be limited by the various challenges identified under section 9.1.2 (ii) below. Hence, there can be no assurance that we will implement these plans successfully and/or efficiently.

In light of the urgent global call to decarbonise the world economy through transitioning of fossil fuel system to RE system, if our emissions reduction plan as well as the plan of contribution to avoided emissions are not effective as expected, or if our progress is slower than our peers, our Group may face public pressure and may be subject to an unfavourable ESG risk rating, a measure of company's exposure to long-term ESG risks, by potential investors and lenders. Even though our climate goal is on a long-term basis, our green transition efforts may face scrutiny from time to time. The unfavourable rating may affect our ability in accessing equity and capital markets and may eventually affect our growth prospects.

(ii) Our plan to expand our portfolio of power assets and projects through new concessions, acquisitions and strategic partnerships is associated with risks

We have in the past expanded the portfolio of our power assets and projects through new concessions, acquisitions and strategic partnerships, and will continue to do so in our target markets in Southeast Asia and Taiwan. Please refer to Section 7.2 of this Prospectus for our concessions, Sections 6.2, 7.2 and 7.4.1 of this Prospectus for our acquisitions and strategic partnerships in the past and Section 7.17 of this Prospectus for further information on our investment process regarding new concessions and acquisitions.

Our focus of future expansion will be on sustainable RE power assets and projects. Please refer to Sections 7.5 and 7.6 of this Prospectus for further information on our future plans and new projects that we are currently pursuing. We made a binding offer in August 2022 for Project Breeze, an onshore wind power project, and the offer was accepted in December 2022. The accepted acquisition offer only represents a business that we consider there is a high probability in securing the project or likely to yield positive results, but cancellations or unanticipated variations in the scope of the offer may occur. Further, as at the LPD, we are developing three Utility-Scale solar PV power projects (i.e., Project Mingdao and the CGPP Projects), all of which are RE greenfield projects and their developments are at preliminary stages, and we are also developing certain C&I Solar Projects, which are either under construction or at early development stages. The development process is associated with uncertainties, as discussed under the heading "New concessions" below and in Section 9.1.4 of this Prospectus. We cannot predict with certainty when or whether the acquisitions or the project development will be completed or, if they are completed, whether the projects will achieve the anticipated level of profitability. There can be no assurance that we will successfully complete these power projects as well as any new power projects we may identify in the future.

Due to the inherent uncertainties associated with new concessions, acquisitions and strategic partnerships, we may be exposed to, among others, the following risks:

New concessions

We are in a concession-based business. We have in the past grown our portfolio of power assets and projects by bidding for and being awarded concessions, and will continue to do so. Please refer to Section 7.2 of this Prospectus for further information on our concessions.

The process of identifying opportunities and bidding for new concessions and the subsequent process of construction involves risks. We may face competition from competitors with better financial capabilities and project experience, our project design and pricing model may not be competitive, our projects may be delayed or cancelled due to changes of regulations or changes or delay in government planning, and the construction process may be lengthy and uncertain. Please refer to Section 9.3.2 of this Prospectus for further information on the risks associated with relevant laws and regulations, Section 9.2.1 of this Prospectus for further information on the risks associated with the competition we face and Section 9.1.4 of this Prospectus for further information on the risks associated with construction.

Acquisitions

We may be exposed to the following risks and challenges associated with acquisitions:

(a) We may not be able to identify suitable RE power assets or projects as acquisition targets. The power assets and projects we identify and acquire may fall short of our expectations after our acquisition and may turn out to be unprofitable or unsustainable. For the acquisition targets we consider suitable, there may be intense competition and we may not be able to undertake the acquisitions if we cannot offer competitive prices, our operating cost model is less inefficient than our competitors, and/or our financial strategies do not support the assets or projects;

(b) For the acquisition of power assets or projects in other countries, we may be unfamiliar with local laws, rules and regulations, and the business and operating environments. For example, we may be subject to lengthy processes or other difficulties in getting government approvals and may incur unanticipated significant compliance costs;

(c) We may not be able to effectively manage the integration of the newly acquired power assets or projects with our existing business. The process of integration may result in unforeseen issues, and may require our management’s attention and financial resources that would otherwise be available for the development of our existing operations or other expansions, which in turn could negatively impact our earnings and growth;

(d) We are subject to risks associated with investment in greenfield power projects. Unlike investment in brownfield projects, investment in greenfield projects requires commitment of significant time and resources from our management team and skilled and experienced technical staff to manage and supervise the new project development from its inception. It also involves a higher level of operational and financial risks due to the nature of construction activities (including selecting competent EPC contractors) which may result in project delays and cost overruns (including the imposition of penalties by customers for delays beyond the permitted level under the relevant PPAs). Please refer to Section 9.1.4 of this Prospectus for further information on the risks relating to construction; and

(e) Foreign governments could nationalise certain industries or enterprises to protect their own domestic interests, resulting in limited targets for acquisition.

Strategic partnerships

We have developed strategic partnerships with local industry players who are familiar with local markets and have local resources, and we intend to continue developing future partnerships. Please refer to Section 7.5.2 of this Prospectus for further information on such strategic partnerships.
The strategic partnerships we have entered into in the past and may enter into in the future would be exposed to risks relating to acquisitions as discussed above in this Section 9.1.2(ii), because they involve acquisition of certain interests in power assets and projects. We may also be exposed to risks in relation to our business partners, among others, as below:

(a) performance of business partners – Our business partners' financial condition may deteriorate due to unforeseen future risks such as a global economic downturn, they may lack the necessary capabilities to develop or manage the assets or projects, or for any other reason, they may fail to perform their obligations; and

(b) conflicts and disputes between us and business partners or among business partners – These conflicts could arise due to, among others, unclear objectives of collaboration, poor communications, different expectations, different levels of expertise, different amounts of investment, mismatch among interests, rights and obligations, cultural differences especially in foreign countries, different management styles, lack of leadership and support, and/or conflict between operations and interests of the strategic partnership and business partners' own businesses.

Additionally, before we pursue acquisitions, bid for new concessions, or form strategic partnerships, we generally conduct due diligence to evaluate the opportunities. During the course of due diligence, we depend on the resources available to us, including information from the target businesses and potential partners, which may not disclose all the relevant facts. Hence, we may face significant problems with the quality of the target brownfield power projects, the feasibility of the planned greenfield power projects, or the legal and financial liabilities of the acquired businesses or associated with the strategic partners. Any of these problems may cause us to invest more money than expected, result in our unexpected losses and/or reduce the profitability of the power projects and partnerships.

There may be more challenges associated with our development of new types of business. We are at an early stage of developing Project Breeze, a wind power project, and we may undertake biomass, energy storage and other new types of power projects and relevant business in the future. We are also exploring the business of EV charging docks, a new business area to us, and may encounter challenges that we cannot foresee. Please refer to Sections 7.2.4(iv) and 7.6 of this Prospectus for further information. The risks associated with new concessions, acquisitions and strategic partners, as the case may be, will be heightened in developing any new business.

Due to the foregoing, there can be no assurance that our plan to expand the portfolio of our power assets and projects through new concessions, acquisitions and strategic partnerships will be successful.

Furthermore, the power generation capacity information concerning our Group's power projects under construction and at early development stages included in this Prospectus represents our Company's best estimates based on the latest information available to our Company. There can be no assurance that project condition would not change during the process of construction, acquisition or development, which could result in the realised power generation capacities being different from our Company's best estimates. In addition, the projection of GIC for the medium term (by 2025) presented in Section 7.5.2 of this Prospectus has been prepared by our management on the basis of assumptions and estimates, and is subject to future events beyond our control. There can be no assurance that such projection will be achieved within the specified timeline or at all.

(iii) We may not be able to successfully carry out our operational excellence plans or optimise our costs

We have in place an operational excellence plan to support our business growth. For further information, please refer to Section 7.5.3 of this Prospectus.

There can be no assurance that our operational excellence plan will be successfully carried out, that the key performance indicators in the plan will be achieved, that our personnel will be adequate to manage and improve operations, or that the technologies we implement will work as planned, or that the risk exposure for our key business processes are effectively mitigated. This may be due to various reasons beyond our control, including human factors (including errors and/or fraud arising from collusions from both internal and external parties), technological reasons, and development of laws and regulations in various jurisdictions where we have operational presence.

As part of our operational excellence plan, we are making efforts to optimise our costs by, among others, capital structure and funding costs and implementing shared services. However, there can be no assurance that our efforts will be effective. For example, we may not be able to optimise our asset portfolio due to challenges associated with acquisition, strategic partnership, or development of new projects, as described above. In addition, we may not be able to reduce our funding costs due to rising interest rates, as described in Section 9.1.10 of this Prospectus. Furthermore, the implementation of shared services for our Group may not be successful due to inadequate management, employee, technological or financial resources or cultural differences from overseas offices and subsidiaries.

Hence, there can be no assurance that our future plans and business strategies (i.e., parts (i) to (iii) of this Section 9.1.2) will be achieved as set out above, and any failure of implementing our future plans and business strategies may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

9.1.3 We are dependent on the uninterrupted coal supply to maintain the operations of our coal-fired plants

Our revenue from our coal-fired power plants (i.e., the CEL Plant and the CEL II Plant) is derived from the selling of available capacity and electricity generated for our customer (EDC), a wholly government-owned utility company in Cambodia. Coal represents a major raw material within our Group's operations. For details about the amount of coal purchased and percentage of our total purchase during the Period Under Review, please refer to Section 7.13 of this Prospectus. Any interruption of coal supplies to the coal-fired plants (up to boilers) may result in disruption of operations affecting the availability of capacity for EDC's despatch instruction for power generation. Interruption of coal supply for operations can occur for a number of reasons, including the following circumstances:

9. RISK FACTORS

(i) Coal planning (including delivery)

Under the PPAs with EDC, each of the CEL Plant and the CEL II Plant is required to maintain a minimum of thirty-day stock of coal. Additionally, each of CEL and CEL II is required to secure a long-term contract to facilitate the coal supply and transportation. The procurement of coal depends on the monthly coal requirement projection prepared by coal planners (internal coal handling staff) after taking into consideration of quarterly orders and transportation requirements stated in the relevant CSTAs. As a result, human errors in estimation or calculation for the monthly coal supply and transportation or failure to negotiate delivery schedules could result in a potential shortage of coal supply for operations. A failure to provide the net dependable capacity to meet EDC's power demand could result in lower revenue, loss of minimum revenue payment and even potential penalties imposed by EDC under the PPAs.

On the other hand, improper planning may also result in overstocking of coal inventory on hand and thus increase our operating costs.

(ii) Market supply

Each of CEL and CEL II entered into a four-year CSTA with Minerals Marque Sdn. Bhd., effective from 2 December 2020, to ensure stable coal supply. Please refer to Section 7.2.2 of this Prospectus for further information. The coal purchases from Minerals Marque Sdn. Bhd. accounted for 100% of CEL's and CEL II's respective coal purchases for FYE 2021 and FYE 2022. Meanwhile, under the CSTAs, CEL and CEL II have the option to purchase coal from alternative suppliers if the coal supplier fails to supply coal of the required amount and quality.

Despite these CSTAs, there can be no assurance that the interruption of coal supply will not occur. The availability and prices of coal supplies in the global coal markets may be affected by various factors such as changes in their global supply and demand, the state of the global economy, inflationary pressures, environmental regulations, sustainability initiatives, tariffs, natural disasters, weather conditions and governmental bans. Changes in the global coal markets could adversely affect both our existing supplier's ability to supply coal and our ability to procure coal from other suppliers in the market.

The government of Indonesia (the world's leading coal exporter) had imposed a temporary export ban on coal for January 2022 to overcome the critically low supplies at its domestic power plants which resulted in a significant price increase in the global coal market. This affected our existing supplier's ability to export coal since it is located in Indonesia, and also affected the global coal market. Our operations were not affected by the one-month ban, as CEL and CEL II had sufficient coal inventories. However, there can be no assurance that future export bans will not be imposed, and there can be no assurance our operations will not be affected, especially if the bans are for a longer period of time.

(iii) Coal handling

When barges carrying coal arrive at the jetty, coal supplies are transferred to a hopper via cranes for discharge on moving conveyor belts that will carry the coals to the coal yards. From the coal yard, the coal inventory goes through a number of filtering and crushing (for larger coals) processes before they are carried to the feeders by conveyor belts for feeding into the boilers for burning. There can be no assurance that our coal transportation equipment will not break down, and any breakdown of the plant equipment used to transport the coals from the barge to the boiler for burning will interrupt the supply of coals to the boilers.

If any of the incidents or events under (i) to (iii) above occur, the operations of our coal-fired power plants will be interrupted. If the generation capacity of our power generation assets is not available for use at the request of EDC, our revenue will decline and we may be penalised if the outages extend beyond the permitted time. The potential loss of revenue and penalties could materially and adversely affect our business, financial condition, results of operations, cash flow and prospects.

9.1.4 Our business and financial performance may be materially and adversely affected if our construction projects experience cost overrun and/or delays in project completion or are not in compliance with the required specifications

As at the LPD, some of the C&I Solar Projects are under construction, and we will conduct construction of more projects in the future as we plan to acquire greenfield projects and obtain government concessions for new greenfield projects.

For each of the power projects undertaken, we would enter into an agreement (e.g., PPA or PTA) with our customer. This agreement would require us to commence commercial operations of the power project by a specified date, i.e., the COD. This agreement would also provide various technical specifications, such as the installed generation capacity and other performance matrix. It might also provide a requirement on construction cost or provide a revenue model under which we must manage the costs well to ensure profitability. We may face the following risks in relation to construction:

(a) Construction progress may be delayed due to delay in delivery of materials and/or specialised equipment, shortage of manpower, delay in any licenses and/or permits required for the construction work, workplace hazards, damage to equipment and construction materials upon delivery, bad weather conditions and government-imposed restrictions such as border controls and travel restrictions due to major disease outbreaks such as the COVID-19 pandemic;

(b) Project costs may overrun due to potential changes in design, additional rectification costs during project implementation, unforeseen compliance costs due to changes in local government laws and regulations related to utilities, building, fire, labour, health, safety and environment. In addition, any project delays may also result in potential cost overruns;

(c) Non-compliance of construction with the required specifications such as technical specifications may occur due to substandard construction and materials, misunderstanding between constructors and customers, lack of experience or expertise by the constructors, etc. Non-compliance with the required specifications will require rectification and thus cause delays and cost overruns; and

(d) Any delays may affect our ability to start operating the power projects in accordance with the timeline and meet our obligations under the respective agreement with our customer, resulting in possible penalties.

There can be no assurance that we will construct ongoing and future projects in accordance with the required timelines and the other required specifications, while managing our costs effectively. Any failure to do so may lead to damages, penalties, increased costs, reduced profits, unsatisfactory customer experience, reputational damage and other adverse consequences.

We often engage EPC contractors to undertake project construction work. EPC costs accounted for approximately 79.5%, 59.6% and 75.2% of project costs incurred for FYE 2020, FYE 2021 and FYE 2022, respectively. Despite our efforts to select reliable EPC contractors and monitor them, there can be no assurance that the EPC contractors engaged to construct our power projects would complete construction in accordance with the timelines or other specifications provided under the EPC contracts. Any failure by the contractors to complete their work to the required quality standards in a timely manner or in accordance with project specifications may also result in our inability to fulfil our obligations to our customers. Although there are clauses under the EPC contracts for us to demand rectification by the contractors and/or indemnifications from them in the event of project delays or failure to meet the required specifications, such remedies may be insufficient especially in case of severe delays or defects. Our reputation would be adversely affected and our customers would be entitled to claim damages from us and/or terminate their agreements with us and may choose to do so. Additionally, any unrectified defects by the EPC contractor under the EPC contract will expose us to financial losses and potential project cost overruns.

As examples of the above, we experienced a delay in the completion of the CEL II Plant, which only commenced commercial operations on 15 April 2020, while the scheduled COD under the relevant PPA was 15 December 2019. We also experienced delays in the construction of phase 2 of both the Phu My 1 Plant and the Phu My 3 Plant, which we had planned to finish by the end of 2020 but only completed in January 2022, primarily attributable to the movement restrictions during the COVID-19 pandemic. Please refer to Section 12.2.2(viii) of this Prospectus and Note 16(ii)(a) of the Accountants' Report in Section 13 of this Prospectus for further information on the impact of such delay. There is no assurance that we will not encounter other construction delays which may affect our financial performance.

For the C&I Solar Projects, we have an internal EPC team to undertake the EPC work in certain jurisdictions in which we operate such as in Singapore and Indonesia. Our internal EPC team may be held liable to our customers for any damages suffered by them and their properties during the installation of our solar PV systems. We may also incur liability claims for any failure to comply with applicable electrical standards and manufacturer recommendations on the solar PV systems we deploy for our customers. Any project delays or cost overruns due to claims from our customers may adversely affect our ability to ramp up the volume of installation in accordance with our plans. Such delays or project cost overruns could lead to increased cancellation rates, reputational harm and other adverse effects to our C&I Solar Business.

Accordingly, our business, financial condition, results of operation, cash flow and prospects could be materially and adversely affected if we fail to meet the timelines and other specifications required under the agreements with our customers or to efficiently manage our costs. This includes the cases where we engage EPC contractors: we may not be able to fully claim our losses from the EPC contractors, whether in the form of liquidated ascertained damages, price performance reductions or otherwise, and/or satisfactory rectification of any material non-compliances or defects in accordance with the EPC contracts. We could also be materially and adversely affected if we cannot successfully claim and recoup from our EPC contractors (i) the penalties imposed on us by our customers due to prolonged delays or work products which do not meet the required standards or specifications, and/or (ii) the costs incurred to rectify any damages incurred by our customers and their properties during the construction process.

9.1.5 We may incur impairment losses arising from acquisitions and project development

The acquisitions of power assets and projects and the development of power projects are associated with uncertainties. Acquisitions may be prolonged or cancelled, and upon completion of acquisitions, the acquired power assets and projects may fail our expectations because of, among others, due diligence related risks, inaccurate financial projections, climate and weather conditions, change of law and regulations or change of circumstance due to political, commercial and financial reasons. As at 31 December 2022, the investment value of the companies which we acquired are as follows:

9. RISK FACTORS

Companies	Equity interest (%)	Investment value as at 31 December 2022 (RM'000)
Subsidiaries		
LNTH	70.0	97,911
LYS Energy Group	100.0	80,956
Jointly controlled entities		
CEVD	49.0	165,955
YBSSPCL	36.0	3,596
SDCL	36.0	7,587

Please refer to Sections 6.2 and 7.4.1 of this Prospectus for the history and further information on the above investments / acquisitions.

In respect of power project development, we may face delay, cost overrun or even cancellation at various stages due to a variety of reasons such as loss of key personnel, incapable contractors, competition, catastrophic events, including changes in tariff rate due to a change of law, regulation or policy, political events or adverse macroeconomic factors, e.g., rising interest rates.

Adverse changes in power project development and acquisitions may result in impairment loss. In addition, any significant changes in the assumptions for the computation of the value of our Group's investment (whether through project development or acquisitions) may also result in impairment loss. During the FYE 2022, the main impairment losses recorded by our Group are as follows:

(i) impairment loss on goodwill of RM22.0 million as the recoverable amount of LYS Energy Group's cash-generating unit ("**CGU**") was lower than the carrying amount of the CGU. The lower recoverable arose mainly from the delay of certain projects and increasing trend of interest rates; and

(ii) impairment loss of RM20.9 million for CEVD's CGU (comprising CEVD's property, plant and equipment) due to the delay in the COD of Phase 2 of Phu My 1 Plant and Phase 2 of Phu My 3 Plant caused by the unresolved tariff rate with EVN as these plants were no longer eligible for FiT by the end of 31 December 2020 in view that the construction of these plants was not completed before 31 December 2020.

    On 30 May 2023, Phase 2 of both the Phu My 1 Plant and Phu My 3 Plant have been notified of their respective COD pursuant to official letters from EVN dated 30 May 2023. Their commercial operations have commenced from 30 May 2023 with a temporary tariff rate approved by MOIT of USD0.025 per kWh (50.0% of the ceiling rate). The ceiling rate is applicable to transitional ground-mounted solar projects in Vietnam, pending conclusion of the negotiation between the owners of the transitional ground-mounted solar projects and the MOIT to determine the final tariff rate that is anticipated to be higher than the ceiling rate as the ceiling rate is considered relatively low for the said solar projects to be commercially viable in Vietnam. After the conclusion of the said negotiations, the final tariff rate will be applied retrospectively from the COD of Phase 2 of both the Phu My 1 Plant and Phu My 3 Plant. The quantitative sensitivity analysis as at 31 December 2022 as set out in Note 16(ii)(c) to the Accountants' Report illustrates that 1 US cent per kWh increase or decrease in the tariff rate would result in an increase or decrease, respectively, in value in use by RM25.3 million. Therefore, the uncertainty in the final tariff rate, being one of the key assumptions used in CEVD's equity value calculation, may result in further impairment loss to be made in the event that the final tariff rate is lower than estimated.

Please refer to Section 12.2.2(viii) of this Prospectus and Notes 14 and 16 to the Accountants' Report in Section 13 of this Prospectus for further information on the impairment losses.

As it is our business strategy to expand our portfolio through acquisition and/or development or power assets and/or projects, there is no assurance that we will not experience any delay, cost overrun, cancellation or any other adverse changes in the acquisition and/or development of these power projects and thus incur impairment loss in the future. If there are any impairment losses to be incurred, our financial performance and results of operations could be adversely affected.

9.1.6 We are exposed to inherent risks in procurement activities that could have a material adverse effect on our business performance

We rely on our procurement management team to source and purchase major items for our O&M activities such as coal, limestone, diesel, spare parts and contract services for major overhaul of plant and machineries.
Our procurement process includes, among others, preparation and approval of purchase requisition and purchase order, competitive sourcing, delivery of goods and services and maintenance of supplier relations and supplier database. There are a number of inherent risks related to the procurement process. Human errors in requisition and ordering may result in delayed deliveries of critical spare parts for maintenance and hence, prolonged and unplanned outages (resulting in penalties due to potential non-compliance of the terms of our PPAs or PTAs). The established procedures may not prevent collusions due to personal interests, resulting in less than competitive suppliers or contractors being selected. In addition, there can be no assurance that we are able to obtain quality and stable supplies at favourable prices, as a result of market competition, price fluctuation and other factors which may adversely affect the relevant supply chains.

Currently, we are in the process of restructuring our Group's procurement function to realign with our business strategies. We are also improving the standard operating procedures for our procurement management to ensure that the procurement systems are aligned with our Group's procurement policies and procedures. Although plans and procedures are being developed to enhance our Group's procurement functions, there is no assurance that these plans will be carried out successfully or that the procurement objectives can be reasonably achieved. Hence, if any of the above-mentioned incidences occur and/or any other procurement-related risks materialise, our business, financial condition, results of operations, cash flows and prospects may be materially and adversely affected.

9.1.7 We are dependent on outsourced service providers (contractors, subcontractors and/or engineering consultants) to perform certain O&M work

We maintain an in-house O&M team to manage the O&M of all our power generation assets (solar, hydro and coal) and power transmission assets except for the C&I Solar Projects in certain jurisdictions where we operate i.e., Malaysia, Vietnam, Taiwan and Thailand.

During major planned outages for conducting maintenance, we may engage outsourced service providers such as contractors, subcontractors and/or engineering consultants to perform certain specialised work, including:

(a) For hydropower plants – major overhaul of turbine and generators, circuit breakers functional test and inspection;

(b) For large scale solar PV power plants - circuit breakers functional test and inspection;

(c) For C&I Solar Projects - module replacement (major replacement of PV array) and major electrical work requiring professional engineers or licensed electrical workers;

(d) For coal-fired plants – major overhaul of turbine and generator, boiler tubes and refractory inspection and repair, transformers and circuit breakers functional test and inspection; and

(e) For power transmission assets – on-load tap changer overhaul of power and auto transformers, transformer oil testing and update and configuration of supervisory control and data acquisition equipment.

These outsourced services accounted for approximately 41.4%, 48.4% and 72.0% of the total O&M costs for our Group for FYE 2020, FYE 2021 and FYE 2022, respectively.

We are exposed to risks associated with non-performance by contractors, subcontractors and/or engineering consultants of their contractual obligations as they have no direct contractual relationship with our customers. Their quality of work and/or deliverables (including defects in their workmanship) may affect the ability of our power generation and transmission assets to operate effectively and efficiently, and may result in under-performance of our power assets and this may result in penalties under the relevant PPAs or PTAs.

Non-compliance with specifications may also lead to additional operational issues in the future including increased frequency of repair and maintenance, additional expenditures for potential repair works and longer periods of shut down for repair. Under the relevant PPAs or PTAs, if any power assets have to be shut down for an extended period of time in excess of the permitted thresholds, our revenue under the relevant PPAs or PTAs will be affected and we may be subject to penalties. We may also face disputes with outsourced service providers about the scope of work, changes in work and claims and liabilities under the contracts, which may raise our costs.

We do not have full control over work performance of outsourced service providers and the penalty, incentive and other clauses in our contracts with them may not eliminate the risks of their potential failure to perform their contractual obligations. In addition, some of these contracts also contain limitations on the contractors' liability and, as such, we may not be fully compensated for losses incurred due to their failures to adequately perform their contractual obligations. We may also not be entitled to compensation for indirect losses, such as loss of profits or business interruption under the contracts with third parties. Hence, any failure on the part of our contractors to adequately perform their contractual obligations could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects.

9.1.8 Catastrophic events affecting our power assets and projects could result in severe business interruption

Our power assets and projects are located across Southeast Asia and Taiwan and are subject to catastrophic risk arising from the following potential events which could damage/destroy power assets or projects:

(i) natural disasters, including droughts, typhoons, floods, tsunamis, landslides and dense haze pollution

Historically, natural disasters have happened in the countries where we have business operations (i.e., Malaysia, Cambodia, Vietnam, Singapore, Indonesia, Thailand and Taiwan) and may happen in the future, and the precautions taken in the design, construction and operation of our power assets and projects to minimise the impact of these events may be inadequate.

(ii) man-made disasters, such as fires and explosions resulting from act of war, terrorism or sabotage and accidents

(a) Armed conflicts or civil unrest

During armed conflicts, political instability or civil unrest, key infrastructure such as fuel depots, railways, bridges, power assets, power projects and ancillary facilities may be targeted, including as part of the military strategy intended to restrict the supply flow of the weaponries and critical food supplies into battlefields or to put overall pressure on a conflicting party. Any outbreak of war or political instability or civil unrest in the countries in which we operate may result in severe damage or destruction of our power assets and projects, loss of property, incapacitation of employees and potential supply disruptions in the regions we operate. This may disrupt our operations and hence, our ability to fulfil our obligations in the PPAs, PTAs and/or other agreements with our customers. Additionally, we may be forced to incur additional expenses to increase security measures at our operation sites.

(b) Terrorism or sabotage

In recent years, there has been a growing concern on targeted acts of terrorism and sabotage that focuses on critical economic infrastructure such as power assets and projects. Our power assets, projects and ancillary facilities may be targets of terrorist or sabotage activities. Any damage to infrastructure facilities such as electric generation, transmission and distribution facilities in the countries in which we operate will disrupt our generation or transmission of electricity. These events could significantly decrease our revenue and also result in significant additional cost to replace, repair and/or insure our power assets and projects.

(c) Accidents

Our power assets and projects involve the use of heavy machinery and high voltage equipment. Accidents may occur due to human errors, inadequate safety measures or failure of our employees to adhere to safety measures, system failures or equipment malfunction. If an accident were to occur at any of our site facilities, our business operations may be interrupted, property may be damaged and there may be injuries/loss of lives and we may also be liable for any casualties suffered, property damage or loss, environmental contamination or other damage caused or may be subject to investigations, legal proceedings and claims in relation to such accidents. Accidents caused by failures to adhere to safety measures may also damage our reputation as a reliable and safe energy provider. We have taken measures to strengthen our health and safety procedures. Please refer to Sections 7.15 and 7.24 of this Prospectus for further information on such measures. However, there can be no assurance that accidents caused by failure to adhere to safety measures will not happen in future.

Any of the natural and man-made disasters described above could negatively impact our ability to operate or increase our costs to operate. We may remain obliged to perform our services after any such natural or man-made disasters, as not all of our agreements with customers contain clauses which release us from our obligations. Even if there are such clauses under the relevant agreements, the loss of profit and the extra costs incurred as a result of the natural or man-made disasters may not be reimbursed by our customers. In addition, the potential damages caused by natural or man-made disasters may exceed our sum insured amount under our insurance policies. Further, our properties may be severely damaged and our employees and contractors may even suffer personal injuries which could disrupt our operations. We may also be involved in personal injury claims which may be costly to defend and incur compensation payments. Although we have insurance to protect from general liability claims, there can be no assurance that our insurance coverage will be sufficient in the event such disasters occur.

During the Period Under Review and up to the LPD, we have not experienced any natural or man-made disaster that had a material adverse impact on our financial performance or business operations. However, there can be no assurance any of the disasters described above will not happen and will not be severe to result in a material adverse impact on us. As a result, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected.

9.1.9 The performance of our hydro and solar power generation projects is subject to seasonal and weather fluctuations, and climate change

Our RE business segment is subject to seasonal and weather fluctuations, as described below.

Hydro

As at the LPD, our hydropower generation assets (i.e., the LNTH Plants) are located in Lao Cai province, Vietnam on the Thau, Phin Ho and Ngoi Xan Rivers. Their ability to generate power are dependent upon the prevailing hydrological conditions in Lao Cai. Water flow along the tributaries that our hydropower generation assets are located varies continuously and depends primarily on the levels of precipitation and seasonal changes. Generation normally peaks during July to October when the levels of precipitation in Lao Cai increase and the prevailing hydrological conditions at our hydropower generation assets become more favourable.

The performance of our hydropower generation assets may be subject to substantial variations in climatic and hydrological conditions, which may reduce water flow and thus affects our ability to generate electricity. We cannot assure you that water flow at our hydropower generation assets will be consistent with our expectations, or that climatic and environmental conditions will not change significantly from the conditions prevailing at the time the investments for our hydropower generation assets were undertaken.

Solar

As at the LPD, our Utility-Scale solar PV power plants (i.e., the LSE Plant, the LSE II Plant, the Phu My Plants and the Vinh Hao 6 Plant) are located in Kedah, Malaysia and Binh Dinh province and Binh Thuan Province, Vietnam, respectively. Our rooftop solar PV systems under C&I Solar Projects are located across Malaysia, Vietnam, Singapore, Indonesia, Taiwan (also with ground-mounted solar PV systems) and Thailand. The amount of electricity that can be generated is directly affected by the prevailing solar irradiation condition at the respective locations where these power generation assets are located.

There is no assurance that the solar irradiance at our solar PV assets will be consistent with our expectations or that climatic and environmental conditions will not change significantly from the conditions prevailing when the investments for our solar PV assets were undertaken. In addition, under severe weather conditions, components of our solar PV systems, such as panels and inverters, could be damaged and we may be obligated to bear the expense of repairing the damaged solar PV systems that we own.

Weather conditions are difficult to predict for our RE power generation assets and our power generation plans and financial models based on historical weather data may turn out to be impracticable. In addition, climate change has caused unpredictable weather conditions and may lead to unusual water flow or solar irradiance conditions under which our power assets cannot work efficiently or at all. Accordingly, changes to weather patterns which are different from historical weather data available to us and our projections in our financial models when we invest in any hydropower, solar power or wind power generation assets may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

9.1.10 We are exposed to unfavourable interest rate fluctuations

We are involved in a capital-intensive industry and we may rely substantially on borrowings from financial institutions and capital markets to finance the development of power projects, the operations of power assets and the acquisition of power assets and projects. All of our borrowings are interest-bearing. Any increase in interest rates in countries where we have exposure would affect our financial performance. As at 31 December 2022, our Group had total borrowings of RM1.9 billion, of which RM851.7 million is based on floating rates.

Unfavourable interest rate fluctuation in the market will result in higher finance costs. When financing cost rises, we face the following potential challenges:

(i) Limitation of our business growth

We are dependent on available and favourable financing from debt capital markets to undertake new RE projects for our business growth. The availability of additional debt financing is subject to various factors, including macroeconomic conditions, debt capital markets conditions, government policies and regulations and the continued success of our operating businesses. Hence, high volatility, disruption and decreased liquidity in global debt capital markets may make it difficult for us to raise funding in the debt capital markets at favourable terms.

If market conditions deteriorate in future due to economic, financial, political or other reasons, our ability to secure favourable financing in the debt capital markets may be adversely affected. Unfavourable financing will limit our participation in competitive bidding for potential new RE projects and will adversely affect our expected return on investment for potential acquisitions of greenfield and/or brownfield projects. If we are unable to obtain debt financing at acceptable terms in a timely manner, or to obtain any debt financing at all, we may be forced to defer, reduce or abort our growth strategies and/or accept higher financing costs. Failure to obtain financing at favourable terms could result in a material adverse effect on the growth prospects of our business; and

(ii) Limitation on our dividend payment

Majority of our existing borrowings are based on floating rates. In a rising interest rate environment, our financing costs may increase substantially, which will negatively affect expected returns on our power assets and projects and in turn our financial performance. This may also affect our ability to declare dividends. While we will monitor our interest rate exposure and employ hedging instruments to manage our exposure to interest rate fluctuations, there is no assurance that the exposure will be fully or effectively hedged. If necessary, we will seek the approval of our Board on the policy for entering into any interest rate hedging transactions.

Any of the adverse developments above could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

9.1.11 We are exposed to credit risk and other potential risk associated with a single-customer based business model in various jurisdictions that we operate in

We are involved in the concession-based business for infrastructure power assets and projects. Our sale of electricity generated (including sale of available capacity) and provision of power transmission services to our customers are governed by the PPAs and PTAs entered between our operating subsidiaries with the respective customers in the various jurisdictions that we operate in. While we benefit from the long-term nature of our PPAs and PTAs, such agreements restrict us from selling any electricity generated in excess (if any) or rendering the transmission system for power transmission to other external parties. As a result, we are exposed to credit risks associated with our customers.

In the event that there are late payments or non-payments from our customers, our revenue and cash flow could be materially adversely affected. Even though there are government guarantees for the offtakers' payment obligations regarding some of our power assets (EDC's payment obligations for the CEL Plant, the CEL II Plant and the CTL Transmission Line Asset are guaranteed by the RGC), we cannot assure you that the guarantees will be honoured. If a delayed payment or non-payment happens and is not remedied through amicable reconciliation, we may have to take legal action against our customers and our relations with such customers may deteriorate. In such an event, there is no assurance that we may be able to recover such payments in a timely manner or at all through legal action.

Our Utility-Scale Business is under a single-customer based business model that we have only contracted with a single customer in its respective jurisdictions. Our customers for Utility-Scale Business comprise government-owned utility companies (i.e., EDC in Cambodia, and EVN and its subsidiary, EVN NPC, in Vietnam) and government-linked utility company (i.e., TNB in West Malaysia). These companies are entrusted by the governments that regulate the power generation, transmission and distribution in their respective countries or regions. Please refer to Section 7.11 of this Prospectus for further information. For FYE 2020, FYE 2021 and FYE 2022, the revenue contribution to our Group from our Utility-Scale Business amounted to 100.0%, 98.5% and 96.2%, respectively; and for the same years, the revenue contribution to our Group from our three major customers, namely, EDC, TNB and EVN NPC amounted to 100.0%, 98.4% and 96.6%, respectively.

In addition to the credit risk, we may be exposed to other challenges associated with our major customer(s) such as curtailment events where our power generation assets may be required to reduce their power generation and thus suffer loss of revenue. Curtailment may be imposed by government-owned or government-linked utility companies due to (i) low demand of electricity and/or (ii) overloading of electricity to the relevant power grids which pose a threat to the safety of such power grids, where such factors are specific to the provinces which the solar power plants operate.

Among our power generation assets, our solar power assets in Vietnam experienced curtailment. Please refer to sections 7.2.4.2(d) of this Prospectus for further information. The aggregate curtailment rate for the Phase 1 of the Phu My 1 Plant, the Phu My 2 Plant and Phase 1 of the Phu My 3 Plant was 18.7% in FYE 2021 and 5.3% in FYE 2022. Although the curtailment rate for Phu My Plants decreased from FYE 2021 to FYE 2022, we cannot assure that the curtailment rates for our Phu My Plants will not increase in the future, nor can we assure that our other power assets will not encounter curtailment in the future.

We aim to expand our portfolio of power assets to other countries (both the Utility-Scale Business and the C&I Solar Business) and also expand our customer base in the existing markets (primarily the C&I Solar Business) to reduce dependency on any single customer in the future. However, there is no assurance that we will succeed, as expansion into new markets would be challenging and it would also be difficult to diversify our customer base in the existing markets by developing the C&I Solar Business as the size of our C&I Solar Business is small as compared to our Utility-Scale Business, in terms of GIC and revenue. Some of our major customers play a dominant role in power generation and transmission in their respective countries and it may be difficult to significantly reduce our dependency on them as long as we do business in the power industry in the respective countries. Please refer to Section 8 of this Prospectus for further information on competitive landscape in the power industry in some of the countries where we operate our business.

Any failure of our customers, especially our major customers, in fulfilling their payment or other contractual obligations under the relevant agreements in the future and/or any major curtailment events may materially and adversely affect our results of operations and cash flows. Further, there can be no assurance that our major customers will extend the tenures of their agreements with us on terms acceptable to us or at all, and neither can there be any assurance that our relationship with existing customers, especially our major customers, will not deteriorate in the future. In addition, adverse developments affecting our customers, such as bankruptcy, change of management, mergers and acquisitions, could also adversely affect our business. If any of the aforementioned risks materialise, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected.

9.1.12 Our business operations may expose us to adverse publicity and/or protest that could damage our reputation

We operate various types of power assets such as coal-fired, hydropower and solar power plants and power transmission systems and develop various types of RE power projects. The nature of our new and existing power assets/projects and the regulatory and social environment in which we operate in could expose us to adverse publicity generated by NGOs and by other parties such as environmental activists and various local communities who may have a vested interest. Our business operations may expose us to adverse publicity and/or protest over our business operations in the following manner:

(i) **Environment** - NGOs are becoming increasingly vocal in being critical of the energy industry, especially towards power producers that utilise fossil fuels for power generation. Coal burning produces GHGs such as carbon dioxide. Carbon dioxide has been widely held responsible for the global warming that is resulting in climate change. According to the Sixth Assessment Report from UN Intergovernmental Panel on Climate Change (IPCC), human-induced climate change is already affecting many weather and climate extremes in every region across the globe. Evidence of observed changes in climate extremes such as heatwaves, heavy precipitation, droughts, and tropical cyclones, and, in particular, their attribution to human influence, has been strengthened since the last assessment in the Fifth Assessment Report over 2013 and 2014.

Coal burning also produces other wastes and pollutants such as coal ashes (fly and bottom ashes) which are hazardous. We have been monitoring the environmental impact of our coal-fired power plants and complying with applicable laws and regulations and relevant World Bank standards, please refer to Section 7.24 of this Prospectus for further information. Compliance with laws and regulations resulted in an increase in operating costs. Despite our compliance in the past, there can be no assurance that we will be free of any non-compliances in the future. Non-compliances could be due to, for example, changes in laws and regulations or deteriorations of plant conditions. In addition, the solar panels used by our solar power assets and projects contain toxic materials such as lead, which may pose a significant challenge for recycling at the end of their life cycle.

(ii) **Social** - we are committed in providing a healthy and safe working environment for our employees, contractors/suppliers and visitors. However, we may come under scrutiny by the potential investors (due to ESG concerns) as well as regulators over any allegations of unhealthy and unsafe work environment when major accidents occur at or within a certain distance from the locations of our power assets and projects (e.g., landslides that occur and affect public roads connecting our hydropower assets). There is no assurance that our relations with NGOs and local communities will not deteriorate, including, due to any environmental incident, which may have a negative social impact on our Group's reputation.

(iii) **Product safety for the C&I Solar Projects** - our solar PV systems are electricity-producing devices. Hence, our customers may be injured or have their properties damaged by our systems due to product malfunctions, defects and improper installation. When these occur, we may be subject to negative publicity which could damage our brand name as a service provider and reputation and our competitive position in the market could be negatively affected. Hence, our ability to attract new customers may be impaired thus affecting our business growth.

Any incidents affecting our C&I Solar Business' customers due to the installation of the solar PV system or adverse environmental and/or social impact affecting our site operations or nearby our site operations may cause our customers and NGOs and/or local communities respectively to protest against us resulting in adverse publicity and potential disruption to our operations. As a result, our Group may be targeted and subject to less favourable ESG risk ratings among potential investors and lenders. The operating environments for our power assets and projects may need to be changed to comply with any additional requirements set by the local regulators resulting from pressure by NGOs and local communities and these may lead to additional compliance costs. If any of the incidents above occur, our reputation, business, financial condition, results of operations, cash flows and prospects be adversely affected.

9.1.13 We are subject to defect liability and performance guarantee risks relating to our EPC and O&M services

For our C&I Solar Business, where a customer makes an outright purchase of the solar PV system, we will either engage a third-party EPC contractor or mobilise our in-house EPC team (depending on project location) for the design, construction and installation of the solar PV system at our customer's property.

If we engage our own in-house EPC team, we will sign an EPC contract with the customer and we typically provide a defect liability period in the EPC contract. During the defect liability period, we may be responsible for making good any defect or fault that may occur on the solar PV system installed by our in-house EPC team on the customer's property. If we outsource the construction works to a third-party EPC contractor, the contractor has to fix any defects or faults that occur during the defect liability period. However, if the contractor fails to do so, we may still have to fix the defects or faults and then recover the costs from the contractor, which may be time-consuming and even unsuccessful. Additionally, we also have to bear the costs of replacing any faulty or defective key components of the solar PV system, such as PV modules, inverters, transformers and mounting systems, if we source them ourselves. These components usually have product warranties that cover manufacturing defects, but we may not be able to claim from the manufacturers fully or at all if we are negligent or the manufacturers refuse to pay. The replacement cost includes labour, transport and consumables.

If the customer also engages us for O&M services for their solar PV system, we will provide a performance guarantee (based on an agreed energy guarantee schedule) under the O&M service agreement with the customer for the duration of the O&M service agreement. Hence, if the solar PV system does not generate the electricity we guarantee to our customers, we are typically required to compensate the customer for the performance shortfall.

If any of the above events occur, we may face claims on defect liability and/or cost to replace faulty components which may not be recoverable from product manufacturers; and customer claims on under performance of the solar PV system. These potential claims when presented may adversely affect our business, financial condition, results of operations, cash flows and prospects.

9.1.14 We are dependent on our executive directors and Key Senior Management team for our long-term growth and success, and we may be unable to attract and retain such personnel in the future

We depend on our executive directors and Key Senior Management team to execute our future plans and to implement our business strategies. Please refer to Sections 5.2 and 5.3 of this Prospectus for further information on our executive directors and Key Senior Management team.

The power industry is currently undergoing a transition from fossil fuels to RE. Due to the intense competition in the market, the demand for industry experts, experienced management, specialist knowledge, and employees who are skilled and experienced in RE industry is high and the pool of qualified candidates is limited, resulting in potentially higher costs for relevant employees' retention or replacement. Our future performance depends on our ability to identify, hire and retain capable and experienced personnel in management, O&M, support services and other fields who able to undertake new power projects, either greenfield or brownfield.

Our executive directors and Key Senior Management team have valuable experience and expertise in operating our power assets, developing our power projects, implementing our business strategies and competing in the power industry. We cannot guarantee that we will retain them or that we have adequate succession plans for them. The resignation of any of these key personnel without finding suitable replacements would affect our efficiency, competitiveness, growth and financial performance.

9.1.15 We may not be able to enjoy the same tax benefits in the future

In Cambodia, the Ministry of Finance Cambodia has granted CTL, CEL and CEL II with Qualified Investment Project status with full tax exemption on profit for nine years upon commencement of their operations. The tax exemption for the CTL and CEL have expired on 31 July 2022 and 1 December 2022, respectively. The tax exemption for CEL II will expire on 14 April 2029.

For FYEs 2020, 2021 and 2022, our total tax exempt income under Qualified Investment Project status (i.e., the tax expense saved under the Qualified Investment Project status) was RM21.6 million, RM28.6 million and RM36.9 million, respectively, out of which, CTL's tax exempt income under Qualified Investment Project status was RM11.5 million, RM10.7 million and RM6.7 million, respectively, and CEL's tax exempt income under Qualified Investment Project status was RM10.1 million, RM17.8 million and RM19.0 million, respectively. With the tax exemption for CTL and CEL having expired in 2022, the profit generated from the CEL Plant and CTL Transmission Line Asset will be subject to the applicable statutory tax rate, i.e. the prevailing statutory tax rate of 20% in Cambodia commencing in August 2022 and December 2022, respectively subsequent to the expiration of their respective income tax exemptions in the preceding months. To our knowledge, under the current relevant tax laws and regulations, there is no option to renew the expired tax exemption for CTL and CEL and there is no new tax exemption available for our Cambodian business unless if we make any new investment in Cambodia.

In Malaysia, the Malaysian Investment Development Authority has granted income tax exemption which is equivalent to investment tax allowance incentive for green technology project at the rate of 100% on the qualifying capital expenditure incurred by LSE and LSE II. The allowance can be used to set off against 70% of the statutory business income for a year of assessment.

The statutory business income is the adjusted profit minus capital allowance available to the company. As at 31 December 2020, 2021 and 2022, the total unabsorbed capital allowances carried forward was RM85.2 million, RM96.6 million and RM110.2 million respectively, and the total unabsorbed investment tax allowances carried forward was the same at RM240.8 million as at 31 December 2020, 2021 and 2022. If the unabsorbed capital allowances and the unabsorbed investment tax allowances are used up in the future, our tax expenses are likely to increase.

We have enjoyed substantial tax benefits as described above. In the event that any tax benefits expire, or are used up, terminated or discontinued, and we have no option to obtain or, even if there is such an option, fail to obtain any renewed or new tax benefits of the same level, our tax expenses may increase and our PAT and PAT margin may decrease and in turn may affect our overall profitability and financial performance in the future.

Please refer to Note 11 of the Accountants' Report in Section 13 of this Prospectus for further information on our income tax.

9.1.16 Our insurance coverage may be inadequate

We maintain insurance coverage for our property, plants (including those under construction), and various other aspects of our business operations that we consider to be significant operating risks. For further information of our insurance coverage, please refer to Section 7.23 of this Prospectus.

As at 31 December 2022, our various insurance policies provide us with coverage of up to approximately RM2.9 billion in aggregate in respect of property all risk and/or industrial all risk. Our total assets value as at 31 December 2022 was RM3.8 billion. Additionally, all our insurance policies are subject to exclusions (such as terrorism and sabotage) and limitations of liability with respect to the amounts and the insured events. Hence, our insurance coverage may not be adequate to cover all losses or liabilities arising from and/or in conjunction with the operation of our power generation and transmission activities.

On 9 January 2020, an accident involving a third party resulted in damage to the 33kV underground cable of LSE II Plant which amounted to an estimated loss of RM1.0 million. In another incident, on 27 June 2020, there was a short circuit at a combiner box of the LSE Plant which caused a fire, damaging the combiner box and cables and causing an estimated loss of RM0.06 million. While we were able to recover the full amount claimed for these losses (less applicable deductibles on respective insurance policy) under our insurance policies in the past, there is no assurance that we will be able to successfully recover the full amount claimed (less applicable deductibles) in future claims from the insurer.

In addition, especially for our coal-fired plants which are sensitive to ESG issues, there is no assurance that we will be able to continue to maintain our existing insurance coverage at current premium levels or to obtain insurance policies on economically viable terms or acceptable premiums in the future. Ongoing ESG issues continue to affect the insurance market's capacity to underwrite coal-related power assets which in turn will cause premiums to increase. For example, the insurance premiums for the CEL Plant in FYEs 2020, 2021 and 2022 amounted to RM1.1 million, RM2.4 million and RM3.6 million, respectively. If premium levels for the insurance coverage required for these power assets increase significantly due to a continuously challenging landscape (reduction in capacity and rates increase), we may need to incur significantly higher insurance costs for such coverage. If we decide to maintain the existing premium levels for the relevant power assets, we will have to either reduce coverage and/or accede to unfavourable terms. These may result in the relevant power assets being under insured for full coverage of relevant risks.

Although we appoint insurance brokers to assist us with the annual review of the adequacy of our insurance coverage (taking into account the compliance requirements of our lenders), we cannot assure you that our insurance coverage will be able to cover all losses or liabilities arising from and/or in conjunction with the business and operations of our power assets. To the extent that we suffer losses or damages as a result of a risk for which we do not maintain insurance or which is not covered by our insurance policies or where the cost of the losses or damages exceeds our insurance coverage, we will have to bear such costs which could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

9.1.17 We may be subject to legal proceedings arising from our business operations

Legal proceedings may arise in the ordinary course of our business operations which may include but are not limited to claims against or by our customers, contractors and/or suppliers, class action lawsuits and inquiries, investigations, regulatory proceedings brought by governmental authorities or other actions by NGOs or third parties with vested interest.

Legal proceedings may be time consuming and it may be difficult to assess and/or quantify the possible losses, damages or expenses arising from such proceedings. If we are unsuccessful in pursuing or defending these litigations and/or claims (as the case may be), we may incur substantial costs and face significant liabilities. In addition, there may also be adverse publicity and uncertainty associated with complaints, investigations, litigations and regulatory orders (e.g., temporary shut-down) affecting our reputation.

Any unfavourable outcome from the legal proceedings, whether brought by or against us, could have a material adverse effect on our business, financial condition, results of operations and cash flows. Even if the outcome from any litigation proceedings is in our favour, we may not be able to collect the full amount of our claims or the amount awarded may not be sufficient to cover the cost of the litigation proceedings and/or the damages which we sought to recover.

While there has not been any material litigation against our Group during the Period Under Review, there can be no guarantee that any of the adverse developments described above would not happen in the future. In this case, our financial condition, results of operations, cash flows and prospects could be materially and adversely affected.

9.1.18 We are exposed to foreign exchange rate fluctuations

We have business operations in Malaysia, Cambodia, Vietnam, Singapore, Indonesia, Taiwan and Thailand. Our exposure to foreign exchange rate fluctuations arises from the following:

(i) **Foreign currency transactions** - we generate revenue in a number of currencies through our local and foreign subsidiaries, including RM, USD, VND, SGD, IDR and THB. Our revenue denominated in the respective currencies during the Period Under Review is set out as follows:

	Audited					
Revenue denominated in:	**FYE 2020**		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
USD	471,531	86.4	594,699	87.5	795,562	87.3
RM	36,163	6.7	38,980	5.8	38,077	4.2
VND	37,889	6.9	38,519	5.7	46,125	5.1
Others[(1)]	-	-	7,141	1.0	30,849	3.4
Total revenue	**545,583**	**100.0**	**679,339**	**100.0**	**910,613**	**100.0**

Note:
(1) Includes revenue denominated in other currencies i.e. SGD, THB and IDR.

The majority of our liability exposure in foreign currencies for our Utility-Scale Business is naturally hedged (i.e., settlement of liabilities through revenue received in same currencies) with the remaining limited exposure coming from certain isolated purchases of equipment (e.g., PV modules), spare parts and/or services from overseas with prices quoted in foreign currencies. For example, our coal-fired power plants in Cambodia (the CEL Plant and CEL II Plant) purchase coal and receive payments from our customer in USD.

However, there is still a mismatch between our revenues/receipts and costs/payments in foreign currencies. Please refer to Section 12.2.20(a) of this Prospectus for further information on the impact of foreign exchange rates on our business, including the amounts of sales and purchases, trade and other receivables, cash and bank balances, borrowings and trade and other payables denominated in different currencies. Please also refer to Note 32(d) of the Accountants' Report in Section 13 of this Prospectus for further information on our foreign currency exposure and relevant risks, including sensitivity analysis for foreign currency risk. There can be no assurance that the mismatch above will not increase in the future, resulting in more foreign exchange transactional risks.

(ii) **Translation of the financial results of foreign operations to the reporting currency** - our Group's functional currency is USD and our reporting currency is in RM. For our foreign operations, the revenue and expenses are denominated in foreign currencies. Fluctuations in the exchange rate between RM and foreign currencies may have an adverse impact on our reported financial condition due to the translation of the foreign currencies to the reporting currency in RM. For FYEs 2020, 2021 and 2022, approximately 93.3%, 94.2%, 95.8% of our revenue respectively was generated in currencies other than RM (please refer to Section 12.2.20(a) of this Prospectus for a breakdown of our revenue by currency). Accordingly, unfavourable fluctuations in currency exchange rates may have an adverse impact on the translation of foreign currency-denominated amounts into RM.

Currently, we do not hedge our foreign exchange exposure as the majority of our liabilities exposure in foreign currencies are naturally hedged but we may hedge them in the future if our liabilities exposure in foreign currencies in excess of available natural hedge grows significantly. Hence, we are exposed to foreign exchange fluctuation to the extent that our liabilities exposure in foreign currencies are not naturally matched (between revenues/receipts and costs/payments) in the same foreign currencies. Our realised loss on foreign exchange was RM0.1 million, RM0.3 million and RM0.3 million for FYEs 2020, 2021 and 2022, respectively. We had unrealised gain on foreign exchange of RM0.1 million for FYE 2020, and unrealised loss on foreign exchange of RM0.1 million and RM1.4 million for FYEs 2021 and 2022, respectively. The total of our realised and unrealised losses on foreign exchange was less than 1.0% of our PAT for FYEs 2020, 2021 and 2022. However, if our foreign exchange exposure or the relevant adverse exchange rate fluctuation increases in the future, we may suffer higher foreign exchange losses and our business, financial condition, results of operation and cash flows may be materially and adversely affected.

9.1.19 We are subject to government control of currency conversion and remittance

Conversion and remittance of foreign currencies, such as remittance between our foreign subsidiaries and our Company, are subject to government regulations. We have to satisfy certain conditions before currency conversion and remittance in some of the jurisdictions we operate. For further information on exchange control, please refer to Section 7.27 of this Prospectus. In addition, there can be no assurance that the government or central bank in the countries where we operate 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 adversely affect our business, financial condition and results of operations, the value of our Shares.

Central banks in the countries where we operate may intervene in the currency exchange markets, either by selling local currency or by using its foreign currency reserves to purchase local currency. There can be no assurance that the currencies will not be subject to depreciation and continued volatility, or that the government will take additional action to stabilise, maintain or increase the value of the respective currencies, or that any of these actions, if taken, will be successful.

Changes to the current exchange rate policies by any of the countries where we operate 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 and adverse effect on our business, financial condition, results of operations, cash flows and prospects.

As set out in Section 4.6 of this Prospectus, we expect to use a [●] of the gross proceeds from our Public Issue to amongst others, fund acquisitions of brownfield RE projects and development of greenfield RE projects outside of Malaysia and repay foreign currency loans. Our Company submitted applications on 9 March 2023 for the remittance of the proceeds from the Public Issue towards investment activities outside Malaysia and payment of foreign currency loans, and obtained conditional approval from BNM on 22 May 2023.

Pursuant to the conditional approval above, our Company is required to provide BNM with detailed information on the proposed usage of such proceeds once finalised and separately obtain approval from BNM where BNM reserves the right to impose additional conditions thereafter. Further, any variation to the said usage must first be approved by BNM.

Even though we have obtained conditional approval from BNM, there can be no assurance that that we will always be able to obtain BNM's approval for overseas remittance as we expand, due to the funding requirements of our overseas investments and where such investments abroad are for amounts exceeding the prescribed amounts set out under BNM's Foreign Exchange Notices in place at the material time necessitating BNM's approval. If such approval is not obtained in a timely manner, or at all, or on conditions that are prohibitively costly for us to comply with, our business, financial condition, results of operations and prospects could be materially and adversely affected.

9.1.20 The outbreak of any infectious and communicable diseases may impact on our business operations and financial performance

Since early 2020, the outbreak of COVID-19, which was declared by The World Health Organisation to be a pandemic, has resulted in a widespread and global health crisis and triggered the implementation of variety of control measures including, among others, border controls, travel restrictions, lockdowns, stay-at-home orders, quarantines, social distancing and closure of businesses. The pandemic has impacted economic activities worldwide and resulted in sporadic volatility in global financial markets.

Many of these control measures have been implemented in the jurisdictions that we are operating in. However, as our business is categorised as an essential service in all the jurisdictions that we operate in, we were allowed to continue operating our existing power assets notwithstanding the control measures. Though we have not experienced any material interruption and material adverse impact on our results of operations and financial conditions due to the COVID-19 pandemic, we have still experienced inconveniences such as mandatory quarantine of infected employees in isolated cases, restriction on travelling of employees and contractors and delay in delivery of equipment from suppliers.

Since the first quarter of 2022, many countries have started transitioning into the endemic phase. As at the LPD, various countries such as Malaysia, Singapore, Indonesia, Vietnam, Cambodia, Thailand and Taiwan have lifted substantially all the COVID-19 related restrictions. However, we cannot rule out the possibility that COVID-19 may evolve to be more transmissible and harmful, or that outbreaks of other infectious diseases such as monkey pox, Ebola or any new diseases may occur in the future. In any of the foregoing cases, control measures may be re-imposed in the jurisdictions where we operate, possibly in a more prolonged and stricter manner, and human movement, supply chain and financial markets may be severely disrupted. This could adversely affect our business. Furthermore, there can be no guarantee that our business will still be considered essential service, and we may be ordered to cease the operation of certain power assets and the development of certain power projects. Additionally, the scale and adverse impact of future disease outbreaks may be even greater than the COVID-19 pandemic, resulting in stricter and new control measures that affect our operations even in a manner that we cannot foresee. Any of these cases could materially and adversely affect our business, financial condition, results of operations and cash flows and ultimately our ability to realise our future plans and business strategies.

9.1.21 Our business may be impacted by political events, war, terrorism and other business interruptions

War, terrorism, geopolitical uncertainties and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on us, our suppliers, customers, strategic partners and other stakeholders.

In particular, the armed conflict between Russia and Ukraine that started in February 2022 has caused significant instability in global financial markets and has increased the threat of cyberattacks, nuclear incidents, environmental damage and further escalation of geopolitical tensions. The protracted armed conflict has also led to multiple countries imposing economic sanctions and enhanced export controls on the activities of certain individuals and Russian entities, and to numerous market participants voluntarily ceasing, suspending or reducing business with counterparties connected to Russia. Global and local macroeconomic impacts including increased inflationary pressures, volatility in the price and supply of energy and other commodities, disruption to supply chains, economic pressure caused by movement of displaced persons and significant uncertainty in the commercial, legal and political environment are likely to further adversely impact individuals and businesses.

The nature and duration of the impact on our business are difficult to predict, and could be both severe and long-lasting. Adverse impacts could include increased operating costs (as a result of inflation, among other things), foreign exchange risk and increased financing costs. Similarly, other geopolitical events such as the trade war and other conflicts between the U.S. and China may also have a long-lasting adverse impact on the global economy and financial markets. These factors could materially and adversely affect our business, financial condition, results of operations and cash flows and ultimately our ability to realise our future plans and business strategies.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition in our industry that may affect our future plans and business strategies

We face competition in both our Utility-Scale Business and C&I Solar Business. Although the power industry is capital intensive in nature with a relatively high barrier to entry, favourable incentive policies and tariff rates will continue to attract investors (both local and foreign), particularly in the developing economies across Southeast Asia and Taiwan. Hence, we face increasing competition from both domestic and foreign investors in our target markets across Southeast Asia and Taiwan.

<u>Utility-Scale Business</u>

We are competing with other players in our target markets across Southeast Asia and Taiwan to grow our portfolio of RE power assets and projects (greenfield and brownfield). We face challenges from our competitors (whether local or international) which may have (i) more extensive operating experience and efficient cost structures in undertaking acquisition, investment and/or development of power projects, (ii) larger pool of experienced and skilled employees, and/or (iii) greater financial resources and operating capabilities than we have. New market entrants may also have stronger financial support and local connections in our target markets, allowing them to enter the market and compete with us for resources such as experts and skilled labour, suitable equipment and supplies, and financing and business partners. These financially-strong investors may also in the future participate in new power projects with more efficient cost structures, technology and/or services as compared to the projects operating in the market currently.

Our existing power assets could be subject to competition from other power plants due to our customers' internal load planning requirements. In Cambodia, EDC may issue despatch instructions to run more hydropower generations during the rainy season due to safety measures on hydro dam design as well as lower contracted tariff rates for hydropower plants compared to our coal fired power plants; while during the dry season, we may face competition from other coal fired power plants if they offer more competitive tariff rates and EDC may give despatch preferences to them. As a result, EDC may reduce the demand for power generation from, and thus reduce the utilisation of, our coal-fired power plants. Please refer to Section 7.2.2.6 of this Prospectus for further information on the utilisation rates of our coal-fired power plants.

In Vietnam, generation from our solar power plants may be curtailed without compensation in certain locations due to the competition with other local solar PV power plants for limited grid capacity. Our Utility-Scale solar power generation assets in Vietnam, i.e. the Phu My Plants have experienced curtailment, please refer to Section 9.1.11 of this Prospectus for further information. There can be no guarantee that these power assets will not experience curtailment or even increased curtailment in the future, nor can there be any guarantee that our other power assets will not experience curtailment in the future.

C&I Solar Business

We believe that our primary competitors are the established utility companies, which are also starting to invest in the RE space. The entry barriers for this business are lower as compared to Utility-Scale Business and we face increasing competition as new businesses, both local and international, are entering this market. Our competitors may be capable of offering similar systems and/or services. Hence, we compete in terms of pricing, solutions offered, service quality, the speed of closing a transaction and the convenience in switching to electricity generated by our solar service offerings.

The main components of our solar PV system such as PV modules, inverters, transformers and mounting systems are collectively sourced by us to secure competitive unit costs. In addition, we offer EPC and O&M services in certain jurisdictions such as Singapore and Indonesia to enable us to quote competitively. However, if our potential customers are able to secure a more attractive price for the solar PV systems as compared to ours, we may need to match or even lower our prices to secure projects if such projects are deemed to be of strategic importance e.g., will help to penetrate our target markets. Such decisions may adversely affect our project profitability in the immediate term. We may not be competitive if our competitors' system has better technology or range of comprehensive solutions. Some of our international competitors may also have stronger financial and marketing resources and more extensive track record in the solar PV industry globally. Hence, project owners and financial institutions may be more inclined to work with such international players.

We also face competition from other C&I solar service providers. Some of these competitors have more established brand names, different business and pricing strategies, stronger financial positions and more extensive knowledge of our target markets. If we are unable to maintain our operation standards and reputation in our existing markets or establish ourselves in new markets for the C&I Solar Projects to effectively compete with our competitors, our ability to grow our C&I Solar Business may be adversely affected.

As the solar industry continues to grow and evolve, we may also face increased competition from competitors that have achieved significant developments in alternative technologies or new products such as power storage solutions or higher efficiency solar panels. Failure to adapt to changing market conditions, to compete effectively and to integrate new or enhanced technologies in our solar PV systems could limit our growth in the C&I Solar Business.

If we cannot maintain or improve our competitiveness against our competitors whether in the Utilities Scale Business and/or the C&I Solar Business, we may be unable to execute our future plans and business strategies to expand our portfolio of projects in our target markets in Southeast Asia and Taiwan.

9.2.2 We are subject to inherent risks of the power generation, transmission and distribution industry

The power industry is currently under pressure to transform and is in transition on two major fronts as follows:

(i) Decarbonisation due to global climate change risks

The global agenda for decarbonisation due to the increasing global warming effects have exposed the weaknesses and vulnerabilities of an energy system that is heavily reliant on fossil fuels. The direct impact of GHG emissions on climate change risks have brought many countries around the world together to commit to a climate change agenda adopted under UN SDGs No.13 on Climate Action and those under the Paris Agreement (e.g., net-zero GHG emissions by 2050). Addressing the climate change agenda may result in changes in government policies, regulations, standards, rules and requirement to accelerate energy transitioning from fossil fuels to RE. As our coal-fired power plants are located in Cambodia, future potential changes in the Cambodian government's ESG policies and relevant changes in laws and regulations relating to acceleration in energy transition from fossil fuel to RE may have a financial impact on our business and financial condition. Although the PPAs for the CEL Plant and the CEL II Plant provide us with compensatory mechanism in the event of, among others, material capital improvement, increased costs and reduced revenue as a result of changes in law, as described in Section 3, Annexure C of this Prospectus, there can be no assurance that any financial impact arising from the change of law will be fully compensated under the PPAs for the CEL Plant and the CEL II Plant.

In addition, we may have to incur costs to reduce the GHG emissions through adoption of energy efficient equipment and/or to purchase carbon credits to off-set any GHG emissions from our operations in the relevant jurisdictions.

Moreover, such changes in government policies, regulations, standards, rules and requirements to accelerate the energy transitioning from fossil fuels to RE may affect the financing options for the operation of our two coal-fired plants as financial institutions may impose on borrower new requirement related to climate risk management and/or unfavourable conditions such as raising lending rates, reduce the sizes of or even cancel any relevant credit facilities. Although we have not received any such notice and are not aware of any such intention by any financial institutions that we work with, there can be no guarantee that this will not happen in the future.

Additionally, if we are unable to demonstrate our ability to manage our GHG emissions and achieve net-zero GHG emissions in line with the Paris Agreement, we may also subject our Group to less favourable ESG risks rating among potential investors and lenders that may eventually affect our Group's financial conditions and prospects.

Hence, if any of the above-mentioned risks materialise, our business, financial condition, result of operations and cash flows may be materially affected.

(ii) Liberalisation of electricity market from traditional market models to the retail market models

The goal of the liberalisation of the electricity market is to build a more resilient market that delivers improved efficiency and enhanced industry operations. It will provide a free and competitive market within the power industry.

Locally, the Malaysian government is currently reviewing the proposed Malaysia Electricity Supply Industry 2.0 (MESI 2.0) initiatives that aim at liberalising the generation to distribution components of the power industry in Peninsular Malaysia as well as to better promote the use of green energy in Malaysia.

Under the Phase II (2021 – 2025) of the ASEAN Plan of Action for Energy Cooperation, ASEAN will enhance its efforts towards building an ASEAN Power Grid by expanding multilateral electricity trading to provide for affordable and resilient electricity, while accommodating higher shares of RE towards the energy transition and a sustainable energy future. Hence, there is a growing need to liberalise the electricity markets among ASEAN countries (which is a major part of our key target markets for portfolio expansion).

However, there is no assurance that aforementioned liberalisation move will happen or whether it will be expedited in the near future by ASEAN countries. When the local governments among ASEAN countries embark on the liberalisation of their respective electricity markets, we are exposed to new challenges in our future portfolio expansion plan such as a potential reduction of government incentives for new power projects development and increased competition when bidding for new RE projects. We may also face challenges from our potential lenders who may not be familiar with the new models after liberalisation. If our future plans and business strategies are not aligned with the evolving electricity market, we may lose our competitiveness in our future portfolio expansion and our business growth and prospects may be materially and adversely affected.

9.3 RISKS RELATING TO THE COUNTRIES WHERE WE OPERATE

9.3.1 Our Group's business is subject to political, economic and social environment in the countries in which we operate

As at the LPD, we have business operations in Malaysia, Cambodia, Vietnam, Singapore, Indonesia, Thailand and Taiwan. Our Group derives its revenue from our subsidiaries and/or joint controlled entities operating in those countries. For a detailed breakdown of our Group's revenue by country of operations, please refer to Section 12.2.3(i) of this Prospectus. Accordingly, our investments in these countries are subject to political, economic and social risks which are beyond our control, in particular, some of these countries are emerging and frontier economies and doing business in such countries may be riskier than in developed countries.

As compared to developed countries, emerging and frontier economies are more likely to be affected by political instability, poor currency liquidity, inadequate regulation and law enforcement, poor security environment and increased instances of fraud, bribery and corruption. We face inherent risks in doing business in such emerging and frontier economies and many of these risks are beyond our control. We also need to make efforts to adapt to the political, economic and social environment of various countries at the same time, which is challenging and there cannot be any guarantee that we can always successfully do so. Further, any changes in the political, economic and social environment could materially and adversely affect our business operations and financial performance. These uncertainties may include, but are not limited to the following:

(i) **Political** - political uncertainty that results in an unstable government, occurrence of civil war or unrest that may result in change of a government. A new government may introduce new policies to serve their political objectives which can be detrimental to our business, such as nationalisation of certain industries resulting in financial loss to us due to lower compensation offered for the businesses affected;

(ii) **Economic** - unfavourable interest rates affecting our existing borrowing cost and future prospects of new RE projects for acquisition. Significant fluctuation of exchange rates could impact the operations of our foreign subsidiaries and joint controlled entities and government control on payments of foreign currency-denominated obligations by our customers may result in exchange losses to our foreign subsidiaries and/or joint controlled entities. Economic and fiscal reform measures and policies may be adjusted or modified, subject to different interpretations or applied differently from time to time, from industry to industry or across different regions of the country and these could affect our business operations; and

(iii) **Social** – local labour practices, human rights, environmental issues, public health issues, working conditions or environment will affect the community in which we operate in. Any changes in laws and regulation governing these could result in additional compliance costs and/or potentially triggering reputation risk due to issues raised by various interested stakeholders such as NGOs.

Materialisation of any risks associated with unfavourable changes in political, economic and social environment could materially and adversely affect our business, financial condition, results of operation, cash flows and future prospects.

9.3.2 Our Group's business operations are exposed to various local laws and regulations

Our operations are subject to various local laws and regulations in the jurisdictions where we have business operations. Laws and regulations affecting our operations include environmental laws which address, among others, air emissions, wastewater disposals, solid and hazardous waste management, and the use, composition, handling, distribution and transportation of hazardous materials; and health and safety laws which address the occupational health and safety of employees in the workplace. Failure to comply with any relevant laws and regulations, as well as any additional harm caused by such failure may result in financial penalties or administrative or legal proceedings instituted against us, including the termination or suspension of the operation of our power assets.

New or more stringent environmental, health and safety or other requirements or changes in the application, interpretation or increased governmental enforcement of existing requirements or other developments in the future to support relevant UN SDGs could result in increased capital expenditures, operating and maintenance cost and/or compliance costs to comply with such requirements to maintain the existing operations. Although some of our PPAs and PTAs provide that additional cost below certain agreed thresholds will be borne by the relevant customers, any increases in costs above the thresholds shall be borne by us.

In addition, we must obtain various licences, concessions, permits and approvals to operate our businesses. Even when we obtain the required licences, concessions, permits and approvals, we are subject to continuous review under the applicable laws and regulations, the implementation of which is subject to change from time to time.

Hence, there can be no assurance that we will not incur additional costs to remain in compliance with any applicable new or more stringent environmental, health and safety laws and regulations. Neither can there be any assurance that we will obtain and maintain the required licences, concessions, permits and approvals, we may be subject to continuous review under the applicable laws and regulations, the implementation of which is subject to change from time to time.

The laws and regulatory regimes of certain jurisdictions where we have business operations or intend to establish a business presence in the future, are at a relatively early stage of development such as those in Cambodia and Vietnam as compared to those in other jurisdictions such as Malaysia and Singapore. Hence, for any new laws and regulations introduced, there may be inconsistencies in the laws and regulations within the current developing legal framework and there could be delays before the laws and regulations of those countries become in line with the newly introduced or revised laws and regulations that other ASEAN countries may have adopted. Hence, there may be risks associated with investments made under these new laws and regulations as they do not provide the same type of legal certainty that investors would find if they invest in other ASEAN jurisdictions. When such situations occur, we may be subject to additional local regulatory compliance costs which could materially and adversely affect our investment returns.

Additionally, local laws, regulations and governmental policies relating to electricity pricing, net metering, incentives, taxation, competition from utilities, and the interconnection of third party-owned solar PV systems to the electrical grid have a significant influence over our RE power business and they are constantly evolving. Governments, often acting through government owned utility companies or public service commissions, change and adopt different rates for RE sources on a regular basis and these changes can have a negative impact on our ability to deliver consistent pricing to the customers of our solar power business. Moreover, there can be no assurance that regulations in the various jurisdictions in which we operate will not result in lower tariffs in the future which would adversely impact the revenues we receive for our electricity sales: the tariff rate for the LNTH Plants is the avoided cost tariff that is annually announced by the Electricity Regulatory Authority of Vietnam and may be subject to changes; all our other power assets have fixed tariff rates, fixed total payment amounts, or predetermined formulas for their revenue streams under the relevant agreements, but we cannot guarantee there will not be any change, regardless of the relevant contractual arrangements, due to changes of laws, regulations or governmental policies that we are not able to foresee.

Although various countries in the Asia-Pacific region are supportive of the development of RE energy projects and have incentives in place to encourage such development, there is no assurance that such incentives will be extended when they expire, or that we will be able to avail ourselves of such incentives. Hence, our business operations, growth and prospects in relevant jurisdictions, relating to both our Utility-Scale Business and C&I Solar Business, may be adversely affected in the absence of such support in future. We are also subject to the risk that regulatory authorities may, from time to time, impose standards and requirements which could be more stringent or onerous than those which currently apply to us. When these occur, we may also be subject to unanticipated legal, regulatory and policy changes which expose our business operations to the risk of enforcement actions and investigations due to non-compliance with relevant laws, regulations and policies. Any penalties and/or additional compliance cost due to more stringent requirement could materially and adversely affect our business, financial condition, results of operations and cash flows.

9.4 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.4.1 No prior market for our Shares and our Listing may not result in an active and liquid market for our Shares

Prior to our Listing, there has been no public trading for our Shares. Hence, there is no assurance that upon Listing, an active and liquid market for our Shares will develop or, if developed, such market can be sustained. There is also no assurance as to the liquidity of the 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.

The price at which our Shares will trade on the Main Market of Bursa Securities may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, and the country's market and economic conditions.

9.4.2 Our Listing may be delayed or terminated

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

(i) the Joint Managing Underwriters' or the Joint Underwriters' exercising their rights under the Retail Underwriting Agreement, or the Joint Global Coordinators' or the Joint Bookrunners' exercising their rights under the Placement Agreement, to discharge themselves of their obligations under such agreements;

(ii) our inability to meet the minimum public shareholding spread requirement pursuant to Paragraph 3.06 of the Listing Requirements of having at least 25.0% of the total number of our Shares for which our Listing is sought to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or

(iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

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

(i) the SC issues a stop order under Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we and the Selling Shareholder shall refund all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment or transfer of our IPO Shares and the proceeds from our Public Issue form part of our share capital:

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

(ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by way of special resolution in a general meeting and supported by either:

   (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

(b) a solvency statement from our directors.

9.4.3 The market price and trading volume of our Shares may be volatile

The market price of our Shares may fluctuate due to many factors, including but not limited to the following:

(i) local and regional general market, political, economic and social conditions;

(ii) general operational and business risks;

(iii) announcement of our quarterly financial performance where results of operations that may be out of expectations (whether positive or negative) of securities analysts and investors;

(iv) changes in earnings estimates and recommendations by research analysts;

(v) announcements by us of significant acquisitions or strategic alliances or joint operations which will impact our future financial performance;

(vi) announcements by third parties or governmental entities of significant claims or proceedings against us;

(vii) changes in laws and regulations affecting our industry, e.g., changes that affects the electricity tariff rate;

(viii) trading liquidity of our Shares; and

(ix) trading volume of our Shares.

Our Promoters, Substantial Shareholders and other shareholders, including the Selling Shareholder, could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. For details of restrictions pursuant to the moratorium and our lock-up arrangements, please refer to Sections 2.2 and 4.8.3 of this Prospectus. If our shareholders (including those under moratorium and lock-up arrangements) 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 adversely affected.

In addition, there are also many of the risks described in this Section 9.4.3 that could materially and adversely affect the market price of our Shares. Hence, there is no assurance that our Shares will not trade at prices lower than the Final Retail Price (offering price).

9.4.4 We may not be able to declare and distribute dividends in line with our dividend policy

We are an investment holding company and the operation and development of all our power assets and projects are conducted through our subsidiaries and jointly controlled entities across Southeast Asia and Taiwan. Hence, we are dependent on the dividend and other distributions from our local and foreign subsidiaries and foreign jointly controlled entities as our principal sources of income. The ability of our subsidiaries and jointly controlled entities to pay dividends or make other distributions to us is subject to:

(i) the availability of their distributable reserves and them having excess funds that are not needed to fund their operations, debt servicing and other obligations or business plans;

(ii) any restrictions on such payments contained in their respective relevant applicable financing and other agreements;

(iii) any restrictions on repatriation of foreign profits due to changes in laws over capital control policy in the various foreign jurisdictions in which we have business operations; and

(iv) changes in accounting standards that may affect the ability of our subsidiaries and jointly controlled entities to pay dividends and other distributions.

If our subsidiaries and jointly controlled entities are not able pay dividends and make other distributions due to any of the adverse events identified from (i) to (iv) above, our cash flows will be adversely affected. Consequently, our ability to declare and distribute dividends on our Shares will also be affected.

We have an established dividend policy, under which our dividend payments would be determined by considering, among others, our cash flow, debt profile, expected financing performance, projected capital expenditure and other investment plans and other working capital requirements. Please refer to Section 12.4 of this Prospectus for further information. Therefore, our dividend payments are not guaranteed, and our Board may decide, in its sole and absolute discretion, at any time and for any reasons, not to declare and distribute dividends or to declare and distribute lower amounts of dividends than proposed. If we do not declare and distribute dividends, or declare and distribute dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of the investment in our Shares may be reduced.

In addition, any payment of dividends may adversely affect our ability to fund unexpected or unbudgeted capital and operational expenditures. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible or on favourable terms or at all. If we incur new borrowings subsequent to our Listing, we may be subject to covenants that may restrict our ability to pay dividends.

9.4.5 Our Substantial Shareholders will be able to exert significant influence over our Group and their interests may not always align with our other shareholders

Immediately after the completion of the IPO, our Substantial Shareholders will own in aggregate 71.8% of our Shares assuming the Over-allotment Option is not exercised and 67.6% assuming the Over-allotment Option is fully exercised. Accordingly, our Substantial Shareholders may be able to exercise significant influence over the outcome of matters requiring the vote of our shareholders, including voting on appointments of directors and consequently, may be able to influence the composition of our Board.

Our Substantial Shareholders could also have significant influence in determining the outcome of any corporate transaction or other matters submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions unless they are required to abstain from voting and procure persons connected to them to abstain from voting by law and/or as required by relevant authorities. The interests of our Substantial Shareholders may differ from our other shareholders, for example, there are recurring related party transactions relating to our Substantial Shareholders regarding, among others, rental payment, corporate secretarial and administration support services, management and business development support services.

Please refer to Section 10 of this Prospectus for further information on our related party transactions and Section 5.1 of this Prospectus for further information on our Substantial Shareholders. There can be no assurance that conflicts of interest between our Substantial Shareholders and our Company and/or other shareholders will not arise.

9.4.6 Forward-looking statements are subject to uncertainties

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, growth prospects, plans and objectives of our Group for future operations are forward-looking in nature, and hence are subject to uncertainties. Such forward-looking statements are made based on assumptions that we believe to be reasonable as at the date of this Prospectus. Hence, there is no assurance that such expectations will subsequently materialise. Their inclusion 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. 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 are subject to known and unknown risks, uncertainties and other challenges that may cause our actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance or achievements of our Group or industry results expressed or implied by such forward-looking statements.

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